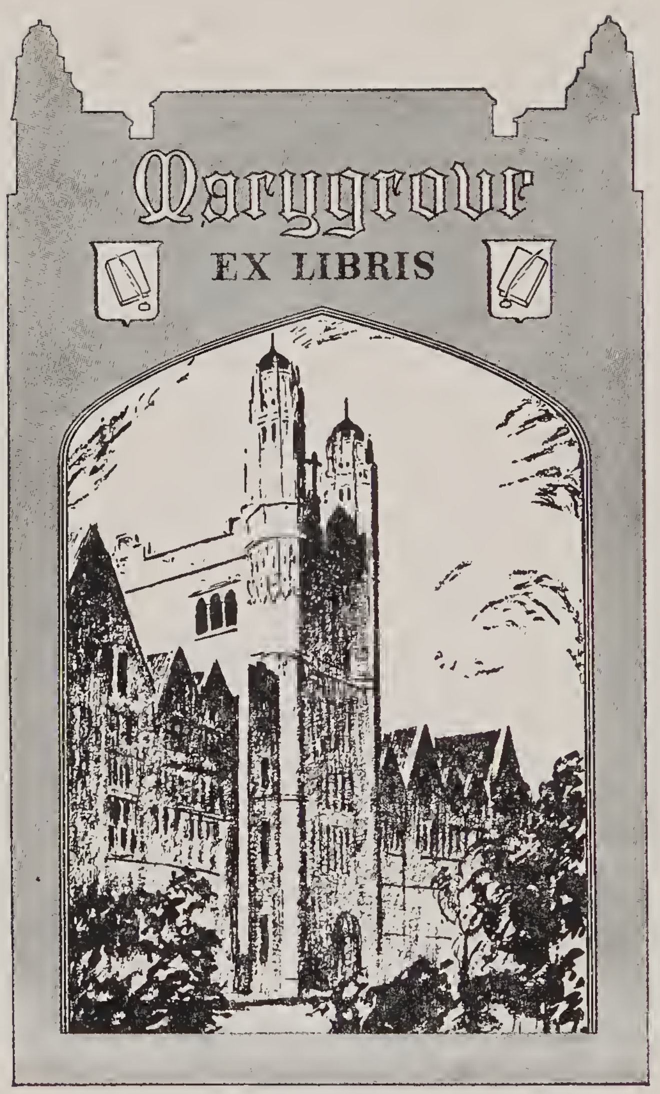
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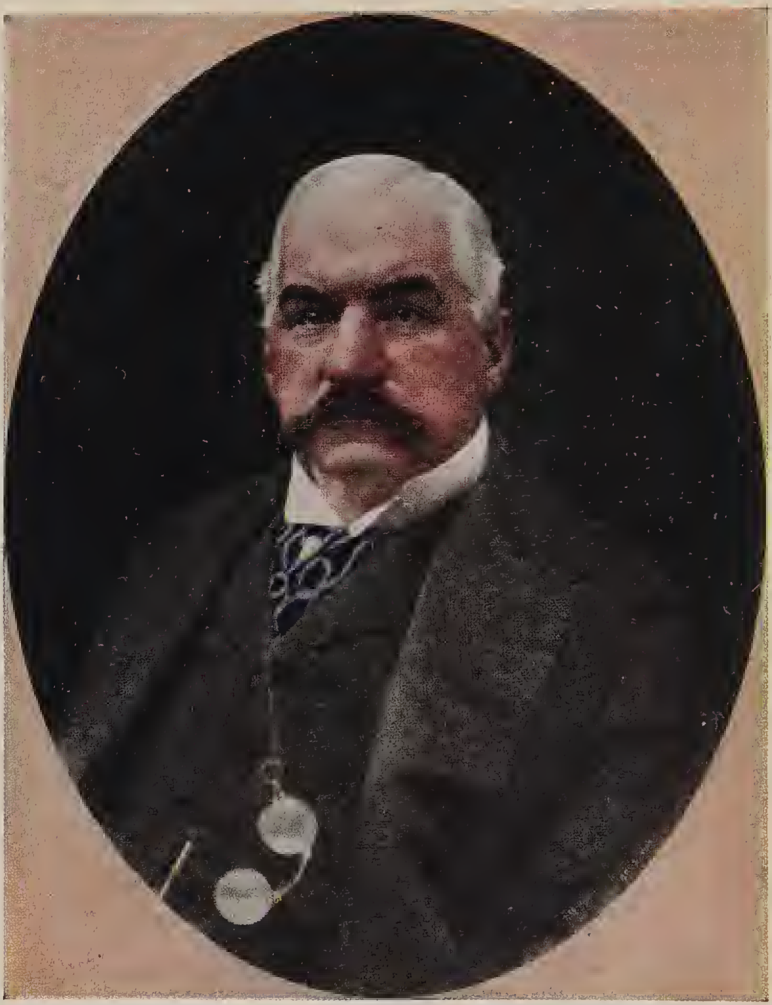

JOHN PIERPONT MORGAN
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GREAT LEADERS IN BUSINESS AND POLITICS

PART 1: THE MASTERS OF CAPITAL

BY JOHN MOODY

PART 2: THEODORE ROOSEVELT AND HIS TIMES

BY HAROLD HOWLAND

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PART I

THE MASTERS OF CAPITAL

A CHRONICLE OF WALL STREET

BY

JOHN MOODY

CONTENTS

THE MASTERS OF CAPITAL

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CHAPTER I

THE RISE OF THE HOUSE OF MORGAN

THE old meaning of the word "capital" — that is, an accumulation of wealth, either money or substantial property, for use in the production of more wealth — has been greatly enlarged within recent times. In earlier days, under the crude methods then prevailing, a given manufacturing plant might earn, say, ten per cent on its invested capital; but when power machinery and improved processes came into use and earnings increased, say, to twenty-five or forty per cent, the practice began of putting a valuation on this increased earning power, and the "value" of a given property, instead of being based on its original or replacement cost, came to be measured by its capacity to earn profits.

Upon this new basis, "capital," as expressed

through the issue of corporate stocks and bonds, was created by leaps and bounds. As the industry of the community became more efficient and the unit of effort brought forth greater results, corporate securities were created in an ever increasing ratio. Then, as the new custom became more firmly established, it was found that the limit of capitalization was by no means reached when *present* earning power alone was capitalized, for in a growing country like the United States, with population practically doubling every generation, future earning power was seen to be vastly greater. So the capitalists quite naturally took the further step and issued corporate stocks and bonds based on estimated future earnings.

Naturally, this modern practice of preëmpting or capitalizing probabilities was overdone. Such a process inevitably invited speculation; and "boom" periods, with recurring lapses and setbacks, became characteristic of the times. Eventually, the capitalists learned that this new capital, which represented not only accumulated wealth and current earnings but the future possible earning power of the community generally, must be bolstered up and insured by some artificial process. So long as normal growth in population and industry continued,

the capitalists could feel fairly secure, but during industrial and banking crises, crop failures, or other adversities, the earnings of capital might decline to such a point as seriously to impair the valuation. Thus there arose among capitalists — large and small — a widespread demand for legislation and public aid to protect the integrity of the values which they had set up — a demand that customs tariffs be made more rigid than before to prevent foreign competition and for other measures to preserve the *status quo* of the new dispensation.

The railroads, during the decade after the Civil War, were the most conspicuous beneficiaries of the new process; but when inventions came in, such as the telephone and electric light and power, as well as numerous other devices for economizing time and labor, the current results and future possibilities of all these likewise were capitalized. In case of public utilities the supposed value of the franchise was made the primary basis of capitalization. In the quarter century from 1890 to 1915, the total capitalization in the form of stocks and bonds of public service corporations in the United States grew from less than two hundred million to nearly twenty billion dollars.

This new capitalism is a phenomenon of far-

reaching magnitude in modern society. In the aggregate it represents a valuation of about one hundred billion dollars in a nation whose entire wealth is roughly estimated at something more than twice this sum. When it is remembered that as recently as 1890 the wealth of the nation was estimated at only sixty-five billions, and the corporate capital at that time was only about twenty-five billions, the significance of the development during the last generation will be appreciated. And when it is further realized that in the past half century not only a new system of capitalizing wealth-producing forces has grown up, but also a concentration of control in small groups of powerful men, the subject becomes intensely interesting.

The great financial houses of Wall Street, which are today most closely identified with the organization and control of the great corporate enterprises of the country, nearly all started as firms engaged in the dry-goods or clothing business. Not only the Morgans, but the Brown Brothers, Kuhn, Loeb and Company, the Seligmans, and other old private banking houses of New York, began in this way. It was a natural beginning, for prior to the period of modern machinery capital in large

masses was employed chiefly by merchants, and the wholesale handling of merchandise was among the most profitable of undertakings. Before the idea of capitalizing potential possibilities took possession of the minds of men, the purely competitive commercial business, such as the wholesale merchandising of goods, still held the center of the stage, both in this country and Europe. Even Nathan Rothschild, the most famous financier of the early nineteenth century, had made his start by financing the materials and products of the early English cotton mills. So also in America, the capital of the day tended to gather in the hands of great merchants whose stock in trade was very largely cloth or manufactures from cloth.

Most Americans have forgotten all this early history. Our "merchant princes" — only sixty years ago models of aspiration for every American boy — have passed out of mind. The business of security making and selling — sixty years ago a small, local, irregular peddling trade as compared to the business of the big American merchant — now looms so large that it seems to have been always important. In England they remember better. The men whom we in this country call "private bankers," such as the Rothschilds, the Barings, and the Morgans, are

not, even today, known as bankers over there, but as "merchants." They are the lineal business descendants of the great East India Company of olden times.

In the United States one particular section developed the international merchant. Before the days of the American Revolution the sharp-eyed, bony men of New England had gone out scouring the coasts of Africa and the islands of the sea for merchandise. There were no better traders in the world than they, and there are probably no better traders than the Yankee now. Then, after the shipping troubles caused by the War of 1812, the men and money of New England turned to the new business of the manufacture of cloth; and thus was laid the foundation of the great modern industry of New England, the manufacture of cotton goods.

In the year 1811, a sixteen-year-old dry-goods clerk, George Peabody, was thrown out of employment by the burning of his brother's little store in the old town of Newburyport, Massachusetts. He then went with an uncle to Georgetown, D. C. (since incorporated with Washington), and opened a small retail dry-goods store there. After some years he moved to Baltimore and established branches in Philadelphia and New York.

Finally, in 1837, at the age of forty-two, he went to London and founded there the merchant banking house of George Peabody and Company, which later became J. S. Morgan and Company.

George Peabody's departure for London was not in itself notably interesting at the time. In London he continued to be a "merchant" just as he had been in this country, but in establishing himself in the greatest mercantile and banking center in the world he was really making an advance along unusual lines. The kind of enterprise he founded is excellently described by his biographer, Fox-Bourne:

> In London and in parts of England, he bought British manufactures for shipment to the United States; and the ships came back freighted with every kind of American produce for sale in England. To that lucrative account, however, was added one far more lucrative. The merchants and manufacturers on both sides of the Atlantic, who transmitted their goods through him, sometimes procured from him advances on account of the goods in his possession long before they were sold. At other times they found it convenient to leave large sums in his hands long after the goods were disposed of, knowing that they could draw whenever they needed, and that in the meantime their money was being so profitably invested that they were certain of a proper interest on their loans. Thus he became a banker as well as a great merchant, and ultimately much more of a banker than a merchant.

In London, the chief financial center of the world, George Peabody represented the greatest and most profitable field for the investment of capital — the American continent, as yet practically unscratched. Literally millions of square miles of the richest farming and mineral lands were there to be had for the asking; valueless it is true until populated, but potentially of vast value. The men who acquired or preëmpted this vast El Dorado, equipped it with power machinery, and the means of transportation, thus setting labor to work, would create values which would mount for generations to come. Untold wealth would continuously flow into their coffers.

To English and continental capital this prospect was the dream of the ages. No such outlook or opportunity had ever come to England or the old countries. The natural resources of England were already preëmpted when modern inventions first began to come into use; the rich farming lands and rural regions, while undeveloped, were and for ages had been in the possession of a rich land-holding class; labor could not be applied to them and the modern generation of capitalists found no extraordinary opportunities there for the production of wealth. Thus English capital inevitably

turned to America, for America had few or no cash resources and any development of the country on a large scale must be carried out by those who had the means. There was little capital anywhere. Men were busily engaged, all along the Atlantic seaboard, making their living in the ordinary, old-fashioned way, and were not bent, to any great degree, on amassing large fortunes. The speculative era in America had not yet arrived, and, though manufacturing had begun, we were still — in the fourth decade of the century — a nation of planters and farmers.

When Peabody took up his residence in London, European capitalists were already competing for the opportunity to exploit American enterprises. Strong foreign houses were forming financial connections between London and New York. The Rothschilds had sent August Belmont to represent them in New York in the same year that Peabody had settled in London. The Barings had married into a Philadelphia family in the early years of the century and were also financially interested in the United States. Peabody, nevertheless, set out to be the chief representative of America in England. Every year he made a point of getting the leading men of both countries together, and

his Fourth of July dinners in London grew to be notable occasions for promoting friendliness between the business interests of England and the United States.

Peabody never aspired to be an originator or promoter of enterprises. This work he left to others. His business was that of the financier, a "master of capital." In this field his success was enormous for the times, and his name grew constantly in English favor. He finally amassed a fortune of twenty million dollars, became the greatest philanthropist of his time, refused a title of nobility from Queen Victoria, and died in 1869 in the possession of the thorough confidence of the English investing public. After his death, his statue was set up in the London financial district, not far from the dingy little spot at Wanford Court which had been his office during his entire London business life.

When Peabody retired, in 1864, Junius S. Morgan became the head of the business. Morgan was another Yankee dry-goods trader — a member of the firm of J. M. Beebe and Company of Boston — who had been taken into partnership by Peabody ten years before. He was now about fifty-one and was fully capable of carrying on the high traditions of the Peabody firm — doing international

commercial banking, holding deposits of customers, and buying and selling securities. The firm placed considerable issues of American railroad bonds in London and negotiated a loan to Chile. The name of George Peabody and Company ended with the death of Peabody, according to his own wish. But the business was carried on without interruption under the name of J. S. Morgan and Company.

Junius Morgan had a son, John Pierpont by name, born in Hartford, Connecticut, in 1837, when his father was in the dry-goods business there. This son was educated partly at the English High School in Boston and had finished his education at the University of Göttingen in Germany. After leaving the University he had entered his father's office in London. He was an extraordinary mathematician and had been strongly tempted to take up the career of professor of mathematics. But his father thought otherwise, and in the offices of George Peabody and Company young Pierpont got his first training in the technicalities of commercial banking and no doubt began the development of that unusual capacity for accurate and quick decision which so strongly characterized his entire career.

It was in 1857, the year of a great financial panic in the United States, that John Pierpont Morgan,

a tall, taciturn young man of twenty, stepped on the stage of American business. At that time the house of George Peabody and Company was doing its American business through the New York firm of Duncan, Sherman and Company, and this firm was so seriously crippled in the financial crisis that in order to save the situation George Peabody and Company had to appeal to the Bank of England for assistance. This experience impressed the London house with the vital importance of closer control of its American business, and it was decided to send young Pierpont Morgan to represent the firm in New York as cashier of Duncan, Sherman and Company.

In the offices of Duncan, Sherman and Company, Pierpont Morgan met Charles H. Dabney, a partner in the firm and also the accountant. It was through association with Dabney that Morgan acquired his remarkable and accurate knowledge of bookkeeping and accounting. But the connection of the Peabody firm with Duncan, Sherman and Company was not destined to last very long. In 1864, the year in which George Peabody retired and was succeeded by Junius S. Morgan, Pierpont Morgan and Dabney formed a new firm under the name of Dabney, Morgan and Company, with

offices in Exchange Place, New York. This new firm became the correspondents of J. S. Morgan and Company of London. A few years later, Duncan, Sherman and Company failed and faded from view.

The house of Dabney, Morgan and Company built up an excellent business in foreign exchange and in the sale of miscellaneous securities and was no doubt financially successful, for when Dabney retired he was currently reported to have taken a substantial fortune out of the business. But the house had done nothing spectacular or striking; it was not classed with the big bankers of the Street; and its main prestige seems to have been based simply on its connection with the strong London firm of J. S. Morgan and Company. But in the year 1871 a change came. Dabney retired, the firm was dissolved, and young Morgan became a partner with the Drexels of Philadelphia, under the firm name of Drexel, Morgan and Company. Anthony J. Drexel, the senior partner, then personally bought the southeastern corner of Wall and Broad streets and built the Drexel Building, in which the new firm began its great career.

The Drexels were sons of a German portrait painter who had wandered about South America and Mexico carrying on his profession. In the

course of his wanderings in the United States he had found that he could do a profitable business buying and selling state bank notes, which formed the "wildcat" currency of the time. In 1837, the same year in which Peabody moved to London, the elder Drexel had established himself in Philadelphia on a street known locally by the significant name of the "Coast of Algiers," where he laid the foundation of a great business in buying bank currency, "shaving" commercial paper, and financing corporations.

John Pierpont Morgan was thirty-four years old in 1871; Anthony Drexel, his principal partner, was forty-five — a conservative, intelligent, and popular man. There were four other members in the new firm, all from the Drexel house in Philadelphia. The new firm had advantageous alliances: on one side of the Atlantic, one of the richest financial houses in America; on the other, the great English house of J. S. Morgan and Company, in close touch with English capital — the greatest body of capital in the world. Its advantages were clear; but it also had its disadvantages. In the chief business of the day — the funding of the government debt — it came into a field already pretty well occupied.

Some years before the combination of the Drexels

and the Morgans had taken place and while Dabney, Morgan and Company were still doing a quiet banking business, a financial operation of vast magnitude had been carried on in America. It was the flotation of the American Civil War debt. This debt had been placed very largely through Jay Cooke, a Philadelphia banker and promoter. Cooke was the typical American pioneer of his time, a tremendous optimist, a great employer of the benefits of friendship in high places, a sort of financial P. T. Barnum, who exploited the Government's securities and later his own. He organized a great bond-selling campaign, giving "copy" to as many as eighteen hundred newspapers at a time and canvassing through his agents every hamlet in the country. Later, he was naturally the man who had the first opportunity to handle the great refunding operations in government bonds which were put through in 1871.

Thus, the house of Jay Cooke and Company had forged well to the front, and had built up very strong connections abroad. During the Civil War period, English capital as a whole had not flowed very freely to the Northern States. Tied to the South by the long established bonds of her cotton trade, the English were at first more inclined to

buy Confederate than Union bonds. The Germans, however, as a whole were more sympathetic towards the North, as the great body of German immigrants following the uprising of 1848 were Northerners and strong supporters of the Union. And when the six per cent Union bonds had fallen to sixty cents on the dollar in gold, the Germans, and especially the rich South German Jews, began to sell their own and invest in American securities. To the German Jew, America became the "land of ten per cent."

Jay Cooke estimated that by 1869 at least a billion dollars' worth of United States bonds were held abroad, of which a large proportion were held in South Germany. This large investment had established a new and powerful business interest in America — the Jewish bond dealers, with foreign connections in the great European money center of Frankfort. With this new group of financial merchants Cooke had naturally allied himself, since the greatest source of English capital was only to be tapped through the Drexel-Morgan interests.

A keen contest arose between the Cooke interests (with their German Jew backing) and the Drexel-Morgan interests to secure the contracts for the government financing. In this contest Cooke and

his party won and then carried through an extraordinarily difficult operation so successfully that the Rothschilds offered themselves as Cooke's associates in future enterprises. But the Morgan interests kept after the business, and subsequently, in combination with Levi P. Morton, secured a half interest in the government refunding operation of 1873, involving a sale of $300,000,000 of bonds — an enormous transaction for those days. Later, in the fall of the same year, Jay Cooke and Company failed and this left the field in the United States for great financial operations entirely in the hands of the Drexel-Morgan-Morton associates.

By this time the house of Morgan had made great strides. But its position as the leading financial house of America had not come about alone through the downfall and eclipse of Jay Cooke and Company. A year before the formation of the Drexel-Morgan firm, an event of great importance had contributed vastly to the fame and standing of J. S. Morgan and Company. Toward the end of October, 1870, the city of London had been stirred by the news that J. S. Morgan and Company had taken a French loan of 250,000,000 francs. It was a syndicate operation and one of the largest and boldest ever known. In the previous month

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the Germans had crushed the French army at Sedan, had taken the Emperor Louis Napoleon prisoner, and had besieged Paris. The only authority for the loan was a provisional government at Tours. To take such a loan, even at the low price of about eighty, was undergoing some risk in view of the circumstances. One thing, however, was very clear: the hand of a strong, bold man was at the helm. The bonds were offered to the public at eighty-five; they advanced at once in price and within a year were selling fifteen points above what they cost the Morgan firm. And the syndicate was believed to have cleared $5,000,000 by the transaction. The reputation of the house of Morgan was thus well established among European bankers just at the moment when Pierpont Morgan, the son of Junius, came to the front in combination with the powerful Drexel interests, and just at the moment when foreign capital was ready to pour into America more freely than ever before. This was the opportunity of the house of Morgan. As the first big organizers of capital, the Morgans — father and son — were to wield a mighty influence in American finance.

CHAPTER II

MORGAN AND THE RAILROADS

THE work of Drexel, Morgan and Company in the refunding operations of the government debt, after the failure of Jay Cooke and Company, added greatly to American prestige abroad. For more than forty years the United States had been a burial ground for British capital. State bonds, Confederate bonds, railroad bonds, had proved to be disastrous investments. But now one single monumental success had restored faith in American securities. In all, about $750,000,000 of bonds were refunded, of which the Morgans handled a large part, and this achievement reopened America to British investors. In 1877 the financial magnates of America gathered in New York at a dinner to give thanks to Junius S. Morgan for "upholding unsullied the honor of America in the tabernacle of the old world," as Samuel J. Tilden, the toastmaster, expressed the sentiment of the hour.

By 1879, with the financing of the war debt accomplished, American bankers were ready to turn to a new field of activity. But leadership in the dawning financial era was to fall to the younger men. August Belmont, who represented the Rothschilds in America, was now sixty-three years old; Levi P. Morton, who had been Junius Morgan's fellow partner in the dry-goods firm of James M. Beebe and Company in Boston, was fifty-five; Junius Morgan himself, now sixty-six and presenting the ponderous figure of an East India merchant prince in an old English play, was retiring from active business life. The younger Morgan was then forty-two, just about the age of George Peabody and Junius Morgan when they began their great careers in London. Hitherto he had been merely the son of his grim-mouthed father. But he had learned the tools of his trade; he had watched and helped to operate great syndicates; and he was now well equipped to take his place in the security markets of America.

Pierpont Morgan had watched the expansion of the railroads for many years. He had witnessed the most spectacular phenomenon of the period, for he had seen Gould and Vanderbilt accumulate their colossal fortunes largely by the manipulation

of railroad properties. But he had taken little part in the battle of the railroads. Back in 1869, the firm of Dabney, Morgan and Company had helped to wrest from Gould and his accomplices the control of the Albany and Susquehanna Railroad, which was turned over to the Delaware and Hudson Canal Company. Again in 1878, when a rich comb manufacturer, Adolph Poppenhusen, had collapsed in the wild exploit of gridironing Long Island with railroad lines, Drexel, Morgan and Company picked up for a nominal sum his holdings, which were afterwards to be merged as parts of the Long Island Railroad. But aside from these minor incidents, the Morgan firm had not been active in railroad financing and were not in any sense known as railroad bankers.

In 1879, however, an incident occurred which brought Morgan directly into the field of railroad finance. William H. Vanderbilt, president and chief stockholder of the New York Central and Hudson River system, was then being harassed beyond endurance. Popular suspicion had been excited by his accumulation of a fortune of one hundred millions in ten years; and the New York Legislature, reflecting public indignation, was investigating the management of the New York

Central and was proposing radical control of railroad management. Besides, the rate wars between New York and Chicago were then raging. Finally, to add to these vexations, Jay Gould was attempting blackmail because Vanderbilt would not take him into the New York Central directorate. Vanderbilt's friends advised him strongly to dispose of a substantial portion of his stock in New York Central and thus avert the legislation that was aimed at him. But how to unload his vast holdings was a problem. To throw half of them on the market would result only in a panic; to distribute the stock by private sale in Wall Street would also greatly disturb values. Besides, what banker would undertake to put through such a gigantic transaction?

Vanderbilt consulted J. Pierpont Morgan, and Morgan devised a scheme whereby a large block of New York Central stock could be sold secretly in England without in any way disturbing the American security markets. This plan was adopted. The Morgan firm, through its London house, formed a syndicate and distributed 250,000 shares of the stock to permanent investors abroad. The transaction was kept secret for a time, but after a few months the details were all published in the New

York and the London papers. Vanderbilt then announced that a large part of the great sum of money he had received had been reinvested in United States government bonds. Thus, at one stroke, J. Pierpont Morgan not only solved Vanderbilt's difficult problem and allayed public criticism, but incidentally, it was said, he made a profit for his syndicate of more than three million dollars.

The financing of American railroads had been left hitherto largely in the hands of promoters whose primary interest had been to build the greatest possible amount of railroad, regardless of whether there was need for it or not, and sell it out for the highest possible price. This had been the programme in the halcyon days after the Civil War and in the speculative period following the panic of 1873. The Northern Pacific had been extended westward to the coast; the Atchison, Topeka and Santa Fé had been built through the deserts of Arizona and New Mexico; Gould had radiated his more or less dubious lines throughout sparsely settled sections west of the Mississippi; the Union Pacific had entered upon that policy of constructing or acquiring branch lines and feeders, which a few years later was its financial undoing. And in the East a no less reckless and ill-advised

policy of construction had been going on. Most of the older systems were carried away with the idea of more and more mileage, more and more branches, more and more parallel lines. By the early eighties about twice as many railroad lines had been built as the country could profitably employ, and there had been issued about four times the amount of securities that the country could pay interest or dividends on. In 1884, Poor's *Manual*, the railroad authority of that time, stated with great positiveness that the entire capital stock of the railroads of the United States — then about four billion dollars — represented "water." It estimated that, in the three years ending December 31, 1883, two billions of capital and debt had been created, and that the "whole increase of share capital [about one billion] and a portion of the bonded debt was in excess of construction."

It was a crucial time for genuine investors, both at home and abroad. Thousands of these investors in Great Britain, on the Continent, and in the eastern parts of the United States, who had supplied, in one form or another, the cash for this vast promotion of the American transportation system, suddenly found their securities dwindling away. There was urgent need for a strong

representative to champion their interests. After his successful underwriting of the New York Central transaction, Morgan began to be looked upon as a rescuer of investors, a solver of difficult financial problems. And he stood alone in this regard. The great railroad names of the period — Jay Gould, Russell Sage, Collis P. Huntington, Calvin Brice, and others — connoted expansion and speculation rather than wise control and conservative management of railroad properties.

For a half dozen years the gigantic structure of inflated railroad capitalization and over expansion stood — somewhat unsteadily — and then the crash came. By 1884 there were five independent lines operating between Chicago and the Atlantic seaboard, and two more were building. Three roads would have been ample for all the business. Railroad rates were torn to pieces; passengers traveled from New York to Chicago for a dollar a head; grain was handled at an actual loss of fifty per cent. Three of these five roads were tottering on the edge of bankruptcy, one had gone bankrupt, and the New York Central was on the verge of cutting down its dividends. It was high time for something of a constructive nature to be done.

In the summer of 1885, William H. Vanderbilt was again in dire need of a friend. The West Shore Railroad was about to begin business as a competitor of the Vanderbilt lines. The Pennsylvania Railroad interests were supposed to sympathize with the West Shore project, for the reason that it promised to embarrass seriously their chief competitor. At the same time Vanderbilt was supporting a project in Pennsylvania to parallel the main line of the Pennsylvania Railroad. The West Shore, according to the custom of the times, had been heavily overcapitalized and, just as the road was nearing completion, the company was dying for want of cash. Unless the Pennsylvania interests or some other strong capitalists should come to the rescue, it evidently could not survive. Just at this juncture Morgan came forward with the remedy. He arranged to sell to the Pennsylvania interests Vanderbilt's competing road in Pennsylvania and to sell to the New York Central, practically at cost, the West Shore Railroad.

Again, when the Philadelphia and Reading property, in which large amounts of English capital had been sunk, was facing bankruptcy, a Morgan syndicate furnished the millions needed for its reorganization. In 1887, when the Baltimore and

Ohio Railroad was suddenly found to be also in a state of financial collapse, the Morgans stepped forward, found new capital for it, and commenced a policy of reconstruction — a policy, however, which was interrupted for a while by successful opposition from the old speculative interests. And a year later a Morgan syndicate reorganized the Chesapeake and Ohio.

Thus, before the panic of 1893, the firm of Drexel, Morgan and Company built up its reputation as the financier and reorganizer of mismanaged properties and in this respect stood in a unique position among American bankers. The great Jewish security merchants had as yet little hold on American railways. The Rothschilds were content to remain a close ally of Morgan rather than a competitor, so far as the American field was concerned. Kuhn, Loeb and Company had not yet become a railroad power. The Speyers were strong but not masterful. The Seligmans, who had been prominent in the government refunding operations, had not become a leading house of issue for railway securities. Consequently, when more than half of the railroad mileage of the United States went into the hands of receivers, investors, both foreign and American, looked to one man and one house

to defend their billions of investment in the railroads — the house of Morgan and its strong bold personality, John Pierpont Morgan, now known as "Jupiter" Morgan.

First came the reorganization of the Southern Railway. This system, whose connecting railroads had been snarled into an inextricable tangle under the Richmond and West Point Terminal control by a group of New York and Richmond speculators, fell into financial chaos. Morgan at first declined to have anything to do with the mess. But, others having tried in vain, the security holders finally besought Morgan to undertake the task on his own terms. In a comparatively short time a Morgan syndicate had reorganized the company, and long before the dire effects of the panic of 1893 and the ensuing depression had spent themselves, the Southern Railway system had advanced far on its new career of progress and prosperity.

It was not direct financial profit for himself or his firm that induced Morgan to undertake this reorganization; he was actuated by a larger, though not entirely unselfish, motive. He felt obliged in self-defense to see to it that the many millions of capital (especially that of English investors) should not be hopelessly wiped out. A firm whose greatest

specialty was the marketing of American securities abroad could not afford to have these securities pass as worthless paper before the eyes of the world. The fame of the house of Morgan in London and all its traditions were based on the greatness and wealth of America, and both the Morgans, father and son, had always been "bulls on America."

With the successful reorganization of the Southern system, Morgan at last had a firm grip upon that slippery thing, the American railroad corporation. For forty years American railroad promoters, reckless optimists, gigantic thieves, huge confidence men — magnified a hundred times by the size of their transactions — had juggled and manipulated and exploited this great business for their own profit and the general loss of every one else concerned. Morgan had been watching for twenty years this manipulation of railroad property. The control of the properties lay in the voting power of the stock; and, if the voting power could not be controlled, little could be accomplished against opposition. His attempt to reconstruct the Baltimore and Ohio in 1887 was defeated entirely because the controlling interests checkmated him by voting his representative out. He devised a plan whereby he himself would control the

voting power. Before undertaking a reorganization or finding the new capital, he provided for a "voting trust," a device which, for a number of years, placed in the hands of a few trustees selected by himself the entire voting power of the stock. This scheme was followed in the reorganization of the Southern Railway and was adopted in all later instances.

The next drastic reorganization was that of the Erie system. Before undertaking this task Morgan was particularly careful to concentrate control in his own hands. Years before, J. S. Morgan and Company had been the fiscal agents of the Erie in London and had placed large amounts of Erie bonds among British investors. Morgan was therefore particularly anxious to protect these bondholders, and in the scheme which he devised he saw that these bondholders themselves got enough voting power to outvote the scattered stockholders, though even the bondholders were controlled for the time being by a Morgan "voting trust." It was only fair that the stockholders rather than the bondholders should suffer in the Erie reorganization, because the great issues of Erie stock created during the gambling days of Drew, Fisk, and Gould represented little or no cash investment, while the

bonds had, for the most part, been issued for the payment of actual property.

Other Morgan reorganizations now followed apace. The Hocking Valley, a system of roads in the Middle West, was placed on its feet; the Northern Pacific, after its checkered career of thirty years of construction, collapse, and manipulation, finally found permanent lodgment in the capacious arms of the firm of Morgan. The Baltimore and Ohio, the Atchison, Topeka and Santa Fé, and several other large properties, although not exclusively reorganized by the Morgans, came to life again partially as a result of their work. The Philadelphia and Reading system, an acute sufferer from the wild gambling spirit of the previous decade, was also taken in hand for the second time, and with a strong financial organization started on its career as the dominating factor in the anthracite coal combination; and other properties not completely wrecked in the smash of 1893, among them the Lehigh Valley and the Central of Georgia, were likewise rejuvenated.

Pierpont Morgan was by 1898 a towering figure in the railroad and banking world. He had largely reorganized the railroad system of America. He was in complete voting control of the great network

of lines radiating throughout the South Atlantic seaboard; he entirely dominated the Erie Railroad; he was the chief factor in the policy of the Reading; he controlled the vast Northern Pacific; he had a powerful voice in the administration of the Baltimore and Ohio and also an important interest in the affairs of the Atchison, Topeka and Santa Fé; he had the entire capital stock of the rejuvenated Central of Georgia locked up in his safe; he controlled the Hocking Valley, the Chesapeake and Ohio; and he was the real financial power behind the vast system of the Vanderbilt lines.

Credit must of course be given to other men for a substantial share in this great work. Aside from the Drexels, Morgan had been fortunate for years in securing the aid of partners of no mean ability. Perhaps he trained them; perhaps their qualities developed as a result of the environment in which he placed them. In any event, in these earlier years, several names stand out prominently. One of these is Egisto P. Fabbri, a native of Italy, who became Morgan's partner in 1876 and continued until 1884. Other conspicuous names in these and later days were J. Hood Wright, Charles H. Godfrey, George S. Bowdoin, and Charles H. Coster. All these men either retired rich in middle life or

died in harness. Coster was a notable example of a man who worked himself to death. He was a great master of detail, besides being a genius at working out plans of reorganization. It is asserted that all the successful Morgan reorganization plans up to the time of Coster's death were his work. Perhaps this is true; at any rate during these trying years Coster was Morgan's right arm. He was a familiar figure in Wall Street — a white-faced, nervous man, hurrying from meeting to meeting and at evening carrying home his portfolios. He traveled across the country, studying railroad systems, watching roadbeds from the back platforms of trains, evidently never getting a chance for rest or leisure. When he died suddenly in the spring of 1900, the newspapers pointed out that he had been a director in fifty-nine corporations.

And now, as the period of railroad reorganization closed and a new century was at hand, the house of Morgan once more found itself with only one commanding figure in its list of American partners. Fabbri was dead; J. Hood Wright was dead; Charles H. Coster was dead; Walter Burns, the London genius who had handled affairs there since the demise of the elder Morgan, was also dead — all having succumbed to the gigantic, nerve-racking

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business and pressure of the Morgan methods and the strain involved in the care of the railroad capital of America. Both the Drexels were also gone. "Jupiter" Morgan had alone come through that soul-crushing mill of business, retaining his health, vigor, and energy.

CHAPTER III

THE IRONMASTERS

ANDREW CARNEGIE came to America with his father, mother, and brother in 1848, when he was thirteen years old. His parents were utterly penniless. They gravitated to Allegheny, where the father secured work in a cotton mill, and young Andy became a bobbin boy at one dollar and twenty cents a week. His mother helped out by taking in washing and binding boots for a shoemaker named Phipps, who had a small shop near by. This shoemaker had a ten-year-old son called Harry, and there it was that the two small boys, Henry Phipps and Andrew Carnegie, laid the foundations of their long friendship.

Andy worked as bobbin boy for a year, then became a stoker, and finally, at fifteen, he secured a job as a telegraph messenger boy at three dollars a week. He soon learned how to send and receive messages, often practising with other boys before

the operator arrived in the morning. He had not been a messenger boy long before he displayed the striking quality which so characterized him in after life — audacity. The boys were forbidden to touch the instruments, but it one day happened that an important message came over the wires when the operator was out. Andy jumped to the instrument and took the message. For this breaking of orders he was not only forgiven but was promoted to be an operator at a salary of six dollars a week. A few years later, his industrious efforts and efficient work came under the notice of Colonel Thomas A. Scott, who was general superintendent of the Pennsylvania Railroad in Pittsburgh, and young Carnegie soon became a railroad telegraph operator at a further increase in salary. He was now nineteen years old, and his audacity and initiative began to develop rapidly. One day, during the absence of Colonel Scott, an accident occurred on the lines, which tied up the traffic. Immediately Carnegie wrote a dozen telegrams, containing orders for setting the trains in motion and signed them all "Thomas A. Scott." This saved the day, and Scott, who recognized the great qualities in the lad, made him his private secretary.

From the beginning of Colonel Scott's friendship,

Carnegie's future was assured. In his new environment, he gained a wider outlook on life, and especially on business life, for Scott was an influential man in Pittsburgh and had his fingers in all sorts of business and speculative pies. Carnegie's first money was made in an oil speculation, without the investment of a cent of his own. He gave his note for a block of stock in one of the smaller Pennsylvania oil companies and then paid the note out of dividends received on the stock within a single year. This gave him a little capital and, under the guidance of Scott, he began to buy, with his small funds and with borrowed capital, shares here and there in many enterprises. Most of these enterprises were things in which Scott was an "insider" and thus Carnegie was able to make safe speculations on "sure enough" information. In a little while, he was the owner of shares in such companies as the Columbia Oil Company, the Woodruff Sleeping Car Company, the Pittsburgh Elevator Company, the Citizens' Passenger Railroad Company, and the Third National Bank of Pittsburgh.

For ten years Carnegie continued at his work as Scott's secretary and steadily added to his investments and his capital. In 1864, when he was twenty-eight, he succeeded Colonel Scott as

superintendent of the railroad. But young Carnegie never planned to remain a mere employee of a railroad or any other corporation. He meant, as soon as his funds were sufficiently large, to have a business of his own. His eyes and ears were always open, and he watched his chances, profiting by the inside information he obtained as Scott's secretary. At first he had thought seriously of entering the oil business on his own account; but evidently no real opportunity presented itself and he resolved to bide his time.

While the Civil War was drawing to a close, the country about Pittsburgh was being agitated not only by the petroleum boom, but by another type of industry, which, like the oil business, was also to leave its stamp on the economic life of America. This was the manufacture of malleable steel by the newly developed Bessemer process. Up to this time not a yard of railroad track in the United States had been laid with steel. American railroads were then iron roads. There were frequent references in those days to the "iron horse," and "iron roads." But iron was really too poor a metal for railroad rails, and men were constantly looking for something harder and more durable. Steel had been made for many years in small

quantities, but the cost was far too great to bring it into general use. Moreover, the demand, even for iron, had not developed far enough to attract capital in any great amount. Iron was produced in small furnaces and in small quantities, and no one dreamed that it would ever become anything more than the precarious, poverty-stricken, uncertain industry that it had always been. The best furnaces in those days did not produce a thousand tons of iron a year; and, because of the fluctuations in demand, most iron makers were without capital and constantly in debt. The panics of 1837 and 1857 had caused the failure of scores of iron founders. Nobody with capital wanted to put money into so precarious a business.

But, as railroad building expanded, the demand for more durable iron began to increase steadily. Steel was recognized as the ideal substance for rails, but the cost of making it was prohibitive. If some genius would only devise a method for making cheap steel, he would be one of the benefactors of the century. And it usually happens, when the demand for a given thing is insistent enough, that the needed genius does arise. In 1847, a young man of thirty-six, William Kelly, bought the Suwanee Iron Works near Eddyville, Kentucky.

Kelly was an inventive character, but a poor business man. He desired to specialize on good, high class wrought iron for sugar kettles. To do this he invented a new method for making larger kettles, which soon became famous as "Kelly's Kettles." But the process was the old slow one of using charcoal in large quantities — a process which involved much time and enormous quantities of charcoal.

Almost by accident Kelly discovered that there was no need of charcoal; that air, too, was fuel. Every iron worker from time immemorial had believed that cold air would chill hot iron. But Kelly was something of a student of metallurgy and he knew that carbon and oxygen had an affinity for each other. Therefore when one day he saw his yellow mass of molten metal turn to a white heat without charcoal, and simply because of the air which happened to strike it, the truth flashed across his mind in an instant. Of course, it was as simple as breathing. When the air was blown into the molten metal, the oxygen united with the impurities of the iron and left the pure iron behind. Kelly was carried away with his discovery and immediately proclaimed it to an incredulous public. Instead of being rewarded, he was ridiculed. He found it impossible to convince any one that he

was sane, and his business was finally ruined because buyers of iron refused to take his goods unless they "were made in the regular way." But Kelly persisted in his work, and within a few years he was actually producing malleable iron in substantial quantities.

But it took more than Kelly's discovery to bring steel into use on any large scale. The process he had worked out had to be put into general use and accepted abroad before American users of steel would have much to do with American-made steel. Hitherto practically all the steel used in America had been imported from England, and the tradition held that steel was essentially an English product and not a domestic article. Hence most people looked upon American-made steel as bogus and regarded the imported as the only real article. While Kelly was experimenting, an Englishman, by the name of Henry Bessemer, was also following out the same idea. And soon, "Bessemer" steel began to appear in small quantities in the United States. It was the same thing that Kelly had been making since 1847 by the same process; but whereas buyers at once accepted the imported "Bessemer steel," they still remained prejudiced against Kelly's "fool-steel."

After this, Kelly's career was a checkered one. It was not until many years afterwards that he was really recognized as the discoverer of the process in the United States. He finally secured a patent but lost it through bad business management, and it was long after the close of the Civil War before he got any financial benefits for his work. Ultimately, however, he was given full credit by the world at large for his services to the industry, and he is now universally recognized as having discovered and perfected the Bessemer process well in advance of Sir Henry Bessemer; although the Englishman brought his work to fruition far more rapidly.

During the latter days of the Civil War, with big plans pending for the construction of the Pacific railroads, the demand for railroad iron was taxing all the plants in the country. And, as the cost of production was falling to a point where it was commercially possible for steel to be used, capital in substantial quantities was seeking investment in this new industry. It seemed at last as if the iron industry might develop into a big money-making enterprise after all. And so thought Andrew Carnegie, for in May, 1864, we find him buying from Thomas N. Miller for $8920 a one-sixth

interest in the Iron City Forge Company. The other stockholders at that time were Carnegie's boyhood friend, Henry Phipps, and Andrew Kloman. At about the same time Carnegie formed the Keystone Bridge Company, inducing J. Edgar Thomson, Colonel Scott, and other railroad officials to join him in financing the enterprise. It proved immediately successful, and in four years Carnegie had paid for his own stock out of the profits. The backing of the Pennsylvania Railroad, which Carnegie had shrewdly procured, was a gold mine to him. This road was building steel bridges by the score at this time, and of course the Keystone Bridge Company got all the business it could handle.

After the Civil War, when prices fell, Carnegie's steel business suffered reverses, but the bad times were tided over. When business revived, Carnegie emerged in complete control of the enterprise, having bought out Kloman and Miller, and the company never experienced real trouble again. Andrew Carnegie made money with great rapidity and long before the panic of 1873 he was a millionaire several times over and one of the big ironmasters of America.

It has often been asserted that Andrew Carnegie was the first American ironmaster to make steel

by the Bessemer process. But this is not true. Carnegie was not a pioneer in this industry any more than John D. Rockefeller was in the oil business. Like Rockefeller, he took no real interest in a new idea until its practicality and future success had been well demonstrated by others. When Carnegie went into the iron business in 1864, he was still wedded to the idea that wrought iron, made by the old process, was to be the standard railroad metal of the future. But by 1866, many manufacturers were turning to the Bessemer process with evident success. At this time, William Coleman, one of his partners, suggested that they begin making steel by the Bessemer process. The other partners agreed, but Carnegie strenuously objected. Indeed, Carnegie was not a steel or iron expert in the real sense. He was a financier, a capitalist, a business booster. As his business developed, he spent less and less time in the management of the concern, and gave his best attention to popularizing the Carnegie products among buyers throughout the country. He promptly removed to New York and began to make the acquaintance of all kinds of people with a view to gathering prestige for himself and his business. He traveled widely and began to make many trips to Europe. In England

he soon heard of Bessemer steel and realized that perhaps after all the new process was a sound one that should be adopted. Investigation thoroughly converted him to the idea. He rushed back to Pittsburgh and to the astonishment of his partners talked nothing but steel, steel, steel. Immediately the firm of Carnegie, McCandless and Company was formed with a capital of seven hundred thousand dollars. Carnegie subscribed the bulk of the amount needed and steps were at once taken for the construction of a large plant.

The new plant was situated a few miles from Pittsburgh and was named the Edgar Thomson Works, after the president of the Pennsylvania Railroad. This was another shrewd, calculating move on the part of Carnegie, who wished to get all the orders and advantages that could be obtained from this big consumer of steel rails. Moreover these were days of little or no railroad regulation, and railroad rebating was customary in both the oil and steel business. In fact, any large shippers could usually obtain rebates from the railroads to the disadvantage of the little shippers. In this way, also, Carnegie felt that a close relationship with the officials of the Pennsylvania Railroad would be an asset of value.

About the time that Carnegie was getting his money ready to buy out the Iron City Forge Company, in 1864 a fourteen-year-old lad named Henry Clay Frick was working as errand boy in a village store at Mount Pleasant, about forty miles from Pittsburgh. He was the son of poor parents, whose ancestors had emigrated from Switzerland more than a century before, a quiet, thoughtful lad, self-contained and reticent. In those days a new industry was developing at Mount Pleasant, known as coke making. Coal was mined and baked in brick ovens until it turned into crisp gray lumps. These lumps were very valuable to iron makers, who used them in smelting the iron ore. It is not probable that young Frick fully realized what developments were ahead in the iron and steel business of the country or that he foresaw the age of steel in which coke making would become a giant industry. But the boy saw in coke making a lucrative opportunity and began to save his money with the hope that in time he would have capital enough to buy a small strip of coal land and go into the business himself. In four or five years he had saved enough to buy a little coal land, and he then induced his grandfather and uncle to buy some ovens which were offered for sale at a

low price. But shortly afterwards the panic of 1873 set in, and the little enterprise was balked. Frick had to continue working on a small salary and became bookkeeper for his grandfather, who was in the distillery business.

Young Frick had that audacity which is characteristic of successful men, and particularly of men who have made and developed great enterprises in America. Carnegie displayed this trait at the outset of his career, when he disobeyed orders to save a railroad wreck; Rockefeller displayed it when he plunged into the oil business with his little savings of seven hundred dollars; Pierpont Morgan displayed it in early life and it was his chief characteristic all through his long, active career. One day, after the smoke of the 1873 panic had disappeared and business was reviving, a Pittsburgh banker named Mellon received by mail a request for a loan of twenty thousand dollars from an unknown person by the name of H. C. Frick. No security was offered but big profits were promised if the money was advanced at once. The banker liked the tone of the letter and sent his partner to Mount Pleasant to investigate. Naturally he expected to meet a man of wealth and property and was surprised to find that "H. C. Frick" was

merely a youth who was working for a few dollars a week and living in one room of a coal miner's house. But the banker had himself worked up from poverty; he liked the honest, bright face of the youth and was impressed with his sincerity and intelligence. Careful investigation confirmed his first impression, and the final result was that the twenty thousand dollars was advanced to the young operator.

Within a short time Frick became the foremost coke maker in the neighborhood. The price of coke kept rising in response to the great demand from the steel makers, and in one year Frick and his associates made a profit of one hundred per cent on their capital. All the profits went back into the business for the purchase of more coal lands and the building of more ovens. In a little while Frick was the coke king of Connellsville and was piling his profits up into the millions. He was more than a mere coke maker, however; he was an organizer of the highest type. He brought order out of chaos in the coke business; he induced his leading competitors to combine with him, thus eliminating cutthroat competition; he also settled troublesome labor problems by importing Hungarians and Slavs. His labor wars were not so much

questions of wages as of law and order. On the whole he raised wages and improved the villages and mines in his region; but he was determined to be the master of his own business.

When in 1882 the tendency toward consolidation of interests had begun, it was natural enough that the coke making and the steel manufacturing businesses should be drawn together. Both Frick and Carnegie recognized the logic of the idea. Consequently in this year Carnegie and his associates bought control of the H. C. Frick Coal and Coke Company. This change of ownership brought Henry C. Frick into the steel business. He acquired a substantial interest in the Carnegie Works and an influence which became more evident from year to year. His intelligence and masterful qualities were exactly what the Carnegie organization needed. A new chapter now opened in the affairs of the company. Having acquired control of one raw material by purchasing the coke business, the company was now to make a further advance and acquire ore beds. And, as the only ore deposits of value were far from Pittsburgh in the Lake Superior region, it became necessary for the company to go into the transportation business also, to establish steamship lines on the Great Lakes

and to build railroads from the water to its works at Pittsburgh.

The Mesaba ore fields, acquired by the Carnegie associates, had been first opened up by Louis Merritt, who had sold his holdings to John D. Rockefeller some years before. Rockefeller, knowing little at that time outside of the petroleum field, afterwards thought he had made a bad investment. But this was not the impression in Pittsburgh, where the possibilities of wealth in the mining of Lake Superior ore had now been fully recognized. A man named Harry Oliver, who had been in the steel business and had been a friend of Carnegie in his early days, realized the possibilities of the Mesaba Range and bought a large tract of land there for a small sum of money. Soon afterward Frick met Oliver on the street and suggested that the Carnegie company go into the Mesaba ore business with him. The terms suggested by Frick were that Oliver should surrender five-sixths of his stock, in return for which the Carnegie company would advance half a million dollars for the development of the mines. The bargain was made, and thus the Carnegie company acquired a property which in a few years was worth tens of millions of dollars. But this was only one step in the

control of the ore supply. A few years later, Frick and Oliver joined forces with John D. Rockefeller in the Lake Superior ore business. This powerful alliance caused a great fall in the price of iron ore and forced many smaller producers to the wall. Their holdings were thereupon bought in by the Frick and Rockefeller combination.

Thus from small beginnings the steel business had grown into a gigantic industry. Meanwhile railroads had spread over the continent and the petroleum business had become a monopoly under the control of the Rockefellers. The time was at hand when the big bankers of Wall Street, already busy in the railroad field, would take part also in petroleum, steel, and a multitude of other industrial enterprises and utilities which had so grown in size and value that they could no longer remain independent of vast banking interests.

CHAPTER IV

STANDARD OIL AND WALL STREET

In 1859, ten years after the discovery of gold in California, another epoch-making discovery was made, this time in Pennsylvania. An enterprising prospector in Venango County drilled a well and produced a flow of petroleum, which was already known to have great commercial value. It was almost like finding liquid gold, for the stuff brought twenty dollars a barrel and it flowed at the rate of twenty-five barrels a day. In a few months' time the narrow valley in northwestern Pennsylvania where the discovery was made swarmed with madmen tearing open the ground in the frenzy of competition that characterizes all new mining districts. So far as was known, the petroleum might soon dry up and every one was hurrying to "strike oil" before it should be gone.

About this time a young commission merchant in Cleveland, Ohio, named John D. Rockefeller,

had saved up about seven hundred dollars, nursing it from nothing, a few dollars at a time. In 1860 he took a chance with three other men in the venture of mining petroleum, putting in a portion of his seven hundred dollars. Within two years the three men had run their investment up to about four thousand dollars. They made a good burning oil, and their profits, like those of all refiners at the time, were amazingly large. During the next few years, tens of thousands of dollars were made annually by this concern. But instead of drawing these profits out, Rockefeller, who dominated the combination from the start, insisted that every cent possible be reinvested in the business. "Take out what you've got to have to live on, but leave the rest in," he kept urging his partners. "Don't buy new clothes and fast horses; let your wife wear her last year's bonnet. You can't find any place where money will earn what it does here."

And this was true. But this new business had peculiar risks. In the first place, the operators had no experience to guide them. Indeed, no one knew when this petroleum would give out; many feared that it would be exhausted in a few years and that they would be left with useless plants on their hands. In the second place, it faced the reckless

competition of all enterprises promising fabulous profits. Rockefeller was farseeing enough to realize these dangers and shrewd enough to prepare for them. Thus he early advocated the theory that the oil business could only be made secure if bolstered up at all times by large cash reserves. He saw that, should more petroleum be discovered and the business continue on a large scale, only those concerns which had the immediate cash resources could hope ultimately to dominate the field. The producers and refiners who dissipated or spent their profits as they made them would have to succumb in the end to the stronger financial interests in the same field of activity.

Hence, during the period when the business was getting well established, the decade from 1860 to 1870, John D. Rockefeller and his friends year by year added steadily and quietly to their cash, until by 1867 they were in no sense dependent on bankers or financiers, as were the railroads and other large industries of the country. They were their own bankers from the start and were in a position even in those early days to snap their fingers at Wall Street and Lombard Street. When the Standard Oil Company of Ohio was formed in 1870 with one million dollars cash capital, it was

undoubtedly the one great business corporation of America which had no debts and no direct banking alliances or affiliations.

There was, of course, a reason for this complete absence of banking or investing interest, aside from the announced policy of the Rockefeller group. From the beginning, such banking houses as the Morgans, the Drexels, and the foreign houses with American connections, had kept away from this new business, just as, until the twentieth century, conservative capital in Wall Street to a large extent kept away from precarious industries like copper mining, electrical enterprises, and so forth. The industry had not proved its permanence or stability and was therefore classed as a "speculation" rather than a sure investment.

Rockefeller was farseeing enough to divine this attitude and to take advantage of it by so forming his policy that, if the industry should demonstrate its permanent strength and earning power, he and his associates would reap all advantages and would never have to divide profits with banking interests or capitalists, in order to procure funds to carry the business through lean or unprofitable periods, as the railroad corporations had been forced to do. Not long after 1870 the wisdom of

this policy was demonstrated. Hard times came, and refiners in all parts of the country went to the wall for want of cash. Bankers would not help them because of the newness and precarious nature of the business. Then the Standard Oil Company began to buy the weaker refineries at bargain prices and to establish a chain of plants across the country. This enabled it to organize production on a large scale and to reduce the cost of refining and distributing oil to a fraction of what it cost most of its competitors. The company then bought the pipes which connected the wells in all parts of the country and laid miles and miles of pipe lines of its own. This forced the railroads to come to terms, as they had been large shippers of oil; and they were obliged to accede to a policy of secret rebating in the interest of Standard Oil and at the expense of the indcpendent refiners. Ultimately, nearly all the competition in the oil trade was eliminated by these methods, until, in 1879, the Standard Oil interests were the only bona-fide buyers, the only gatherers, and the only refiners of all but ten per cent of the petroleum of the country. One by one, all the plants in the business without sufficient cash capital had fallen into the hands of the one firm supplied with cash.

During the decade in which this expansion of the Standard Oil Company took place, the policy was never abandoned of accumulating and retaining large cash resources. By 1875 the cash resources had risen from about one million in 1870 to over thirteen millions; half a dozen years later they reached forty-five millions; and during that decade the company and its subsidiaries had not only bought up most of their competitors with ready cash but in addition had paid out in dividends over eleven million dollars.

Up to this period, most men had not foreseen the possibilities of the petroleum industry. Least of all had they thought of its bringing about a concentration of capital. The great bankers who were coming to the front, such as Jay Cooke and Company, Drexel, Morgan and Company, and the Jewish representatives of German and Dutch capital in the United States were concentrating their attention almost exclusively on the development of steam railroads. The achievements of the Cookes and of the Morgans and their colleagues were the financing of governments and of railroads. This fact remained true long after the Standard Oil Trust had taken its place as the most powerful "master of capital" on the continent. Thus while

the banking interests of America, as represented by the Morgan type, were rising, there was also growing a new banking power which for a long time they persistently ignored. Adherence to the Rockefeller policy meant that the Standard Oil capitalists must organize in such a manner as to perform banking functions; so the Standard Oil Company of Ohio was from its very inception its own banker. As this industry spread and subsidiaries were formed in various States, it became necessary to have the vast financial operations handled from one central head. The New York office was then organized and became the financial center of the business. The numerous subsidiary companies all became responsible to the New York office, and all the cash and surplus funds gravitated to that point.

With the year 1882 begins the period when the Standard Oil capitalists began to make their influence more directly felt in Wall Street. In that year was formed the famous Standard Oil Trust and "26 Broadway" became the official financial and business center of the petroleum industry of the country. In a little while, the Standard Oil Trust was really a bank of the most gigantic character — a bank within an industry, financing this industry against all competition and continually

lending vast sums of money to needy borrowers on high class collateral, just as the other great banks were doing.

Standard Oil was swelling with cash assets, and the small group of men who controlled its destinies had become multimillionaires. Of the dividends of over eleven million dollars distributed between 1870 and 1882, John D. Rockefeller had received the bulk, but Oliver H. Payne, Henry M. Flagler, William Rockefeller, and a few others received a substantial remainder. Naturally these new millionaires sought investment for their fabulous incomes, aside from such portions of them as they were able to reinvest in the oil industry. They were soon impelled to turn to other fields of enterprise, not only to employ their own funds profitably but to find investment for the steadily swelling surpluses and cash assets of the Standard Oil Company itself.

Far back in the period prior to the Civil War the great West India trading house of G. G. and S. Howland was doing business at the foot of Wall Street. The last and possibly the greatest of the old school of New York merchants — Moses Taylor — served his apprenticeship there. He had

been brought up in the strictest traditions of the old-style merchants, for his father had been confidential agent for the old fur trader, John Jacob Astor. In 1832, when Taylor was twenty-six years old, he started in the West India business for himself and became the chief figure in the great raw sugar trade. In 1855 he became president of the old City Bank — the bank of the merchants of raw materials.

The rich Cuban planters deposited their money with him and left in his care the reams of United States government bonds into which they had put their savings. The bank had also a strong cotton clientèle, and it handled the business of such houses as the great importing metal firm of Phelps, Dodge and Company. It was even then what a strong bank should be — a federation of interests still stronger and greater than itself.[1]

[1] In those days, the different classes of merchants had their particular banks, as indeed they have today to some extent. To the north of Wall Street, towards the East River, where the tanyards lay in the "swamp," were the banks of the leather merchants. The banks of the dry-goods trade — such as the Park and the Chemical — kept near these merchants as they edged up Broadway. The leading bank of the raw materials' merchants — the City Bank — stayed where it was first founded in 1812, in the old center, the ancient banking row on the north side of Wall Street. It did not grow so fast as the banks of the dry-goods merchants, but it was destined in the end to outstrip all.

Moses Taylor had his own ideas about running a bank. First of all, it must be strong; his cash reserve was his pride. The City Bank always had a great holding of surplus cash. Whenever there is a panic, everybody puts his money in the safest place he knows. Moses Taylor's bank was safe and strong; with every panic it grew stronger. The story of the City Bank from the time Taylor took charge of it is a record of steady appreciation in credit and reputation. Behind it stood Moses Taylor, with his enormous private fortune which was estimated at fifty millions when he died in 1882. During that period Wall Street had grown out of its swaddling clothes and had become a center of finance and commerce far outreaching that of any other city in the country. In the neighborhood of the City Bank, and doing active business with it, were still the sugar merchants, the cotton brokers, the metal merchants, to whom had been added, as the years went on, the important anthracite coal interests, the leading New York gas companies, and some of the railway companies of the South and West.

When Moses Taylor died, the future of the City Bank, as the strongest if not the largest institution of its kind, was for a time uncertain. Percy R.

Pyne, a kindly, gentle man, who had charge of the Taylor mercantile interests, ran the bank for the next nine years; but during his administration no startling developments took place. The bank held its own; that was all. But, with the death of Pyne in 1891, a real "master of capital" appeared as the head of this famous bank. James Stillman was born in Brownsville, Texas, in 1850, of New England parents. He was a shy, reticent child, trained from the first in the virtues and customs of the old school merchant class. One of his earliest playthings, which he always preserved, was a toy bank, across the front of which he had printed "City Bank," his father having been associated with Moses Taylor and the City Bank interests. During his teens his father was stricken with paralysis, and young Stillman was thrown on his own resources. At the age of twenty-one he was a member of the firm of Smith, Woodward and Stillman, cotton commission merchants on South Street, near Wall. But Stillman did not care for ordinary mercantile business. While his partners were actively carrying on the mercantile end of the business with great success, he associated himself more and more with men of financial knowledge and power. In the early eighties, he was elected to the board of

directors of the Chicago, Milwaukee and St. Paul Railroad, which was then seeking stronger financial connections. At the same time William Rockefeller — whose bulging cash assets, as well as his brother John's, were looking for an outlet — James T. Woodward, president of the Hanover National Bank, and Philip D. Armour, the great packer of the Middle West, were elected to the same board.

Association on the board of directors of the St. Paul property brought Stillman and Rockefeller together, and their intimacy grew closer when in 1885 William Rockefeller was induced to become a director of the Hanover Bank of which Stillman was also a director. They became personal friends as well as business associates; and when in 1891 the presidency of the City Bank was offered Stillman, the Rockefeller business naturally began to gravitate to that institution. But no one realized at that time that Stillman was a great banking genius or was consciously planning the union of two great interests with the same policy of accumulating heavy cash resources — the City Bank and the great Standard Oil Company.

The business of the bank displayed new life almost immediately. In 1891 its deposits were only twelve million dollars, but before the end of

the panic year 1893, they had risen to thirty-one millions. In 1891 there were several New York banks with double the deposits of the City Bank; two years later it was the largest bank in New York and was steadily becoming the greatest reservoir of cash in America. Slowly but surely the alliance with the Rockefeller interests became closer. William Rockefeller, who for many years had been in charge of the finances of Standard Oil, invested more and more of its surplus through the instrumentality of the City Bank. In the dark days of 1893, whenever the Standard Oil stepped into Wall Street to relieve the money strain by lending its idle millions temporarily, the City Bank handled the business. It was not long, therefore, before the institution began to be known as the "Standard Oil Bank."

But lending money in Wall Street was, indeed, only a small job for Standard Oil, whose cash assets grew, between 1882 and 1895, from $55,000,000 to over $150,000,000, while at the same time its stockholders received no less than $118,000,000 in dividends. This great accumulation of cash was not needed in the oil business, and it had to be put to some profitable use. The Rockefellers were not the type of investors who were satisfied with

five or six per cent; they had been educated in a different school. They meant to make, if possible, as large profits in the investment of their surplus cash as they had been accustomed to make in their own line of business. But to make money at so rapid a pace called for the same shrewd, superior business methods that had been followed in the oil business. To discerning men, it was clear that ultimately these other enterprises into which Standard Oil put its funds must be controlled or dominated by Standard Oil. William Rockefeller had anticipated this development to some extent years before when he became active in the financial management of the Chicago, Milwaukee and St. Paul Railroad. But it was not until after the panic of 1893 that he and his associates began to reach out aggressively to control the destinies of many corporations.

When in 1897, Edward H. Harriman and Kuhn, Loeb and Company agreed upon the reorganization of the Union Pacific, as will be narrated in a subsequent chapter, they decided to finance the undertaking through the City Bank. They chose this bank because the Union Pacific reorganization, involving a payment of over $45,000,000 in cash

to the United States Government, was then the largest cash transaction of its kind, and the City Bank, with its great name and resources, was the fittest instrument for their purpose. In this way Standard Oil became associated with the Union Pacific and with the Harriman and Kuhn-Loeb interests. Among the first directors of the reorganized Union Pacific were Jacob H. Schiff, Edward H. Harriman, Henry C. Frick, James Stillman, and William Rockefeller. The City Bank men did not at first put much money into the Union Pacific; but they were important factors in the underwriting syndicate, which got millions of stock as a fee. Many more millions were later bought by the members of the syndicate at from twenty to thirty dollars a share, until ultimately about one-third of the entire stock (practically the control) rested in the hands of William Rockefeller, James Stillman, Edward H. Harriman, and Kuhn, Loeb and Company.

From the very start the Union Pacific was financed in traditional Standard Oil fashion. It was a veritable bank. It kept and handled great cash resources with all the skill of the strong financiers who were charged with its management. In the following decade, through the brilliant and

daring activities of Harriman, with the solid backing of Standard Oil, the Union Pacific rolled up nearly a billion and a half of capital on its own system and held the absolute control of about two billions of other capital.

Meanwhile the profits of Standard Oil, and of the Rockefeller group as a whole, were rolling over and over and growing like a snowball. The Union Pacific alone was not enough to keep this great money mill working. Other outlets must be found. William Rockefeller increased his interest in the St. Paul; John D. Rockefeller, whose only important activity outside of petroleum had been the Lake Superior ore lands, now joined with the decadent management of the Jay Gould estate, and bought large investments in the New York, New Haven and Hartford and other eastern railroad systems. And still other activities engaged this same group as the decade closed. The City Bank — now the National City Bank — had traditionally been the bank of the metal merchants and had always kept its connections with them. There were also men in the Standard Oil group who were identified with raw materials, particularly copper. Henry H. Rogers, who was now vice-president of the Standard Oil Company and practically

its manager and who had in recent years gone extensively into copper mining, now formed a gigantic holding company known as the Amalgamated Copper Company, which acquired control of the Anaconda Copper Company at Butte, Montana. This syndicate was floated in Wall Street through the National City Bank. The capital was $150,000,000, and Amalgamated Copper, supported by Rockefeller money and the immense prestige of Standard Oil, at once became the favorite speculative stock of the day.

The deposits of the National City Bank had now mounted to above $100,000,000, and its capital had increased from a nominal three millions to twenty-five millions, with fifteen millions of surplus. It overshadowed every other institution in the country. The so-called Morgan banks, such as the First National, began to look like pygmies beside it. The bank now occupied a unique position in the eyes of the American public; it was the leading institution of the "Money Power." And by "Money Power" was usually meant the Rockefellers and their allies, who were constantly showing their influence and power in new directions. They had recently gone into public utilities, and jointly with William C. Whitney, who was allied

by marriage with Oliver H. Payne and had become a large stockholder in Standard Oil, had secured control of the Consolidated Gas Company of New York. The latter company in turn had acquired control of several competing gas companies, hitherto identified with the old City Bank interests. Then in 1899 had occurred the spectacular merger with the Edison Illuminating Company of New York. By one stroke all the lighting companies in New York City were brought under one control. It looked as though the Morgan star was about to be eclipsed by a more powerful luminary.

CHAPTER V

THE STEEL TRUST MERGER

In this story of fabulous wealth and phenomenal prosperity we have almost lost sight of the disastrous panic of 1893, from which most of the large industrial enterprises of the United States emerged in a dilapidated condition. In the long depression which followed, manufacturers everywhere were forced into bankruptcy. Capital was scarce, the demand for goods was small, and thousands of plants remained in total or partial idleness for several years. This was particularly true of the steel and iron industry. Most of the steel plants, always excepting the Carnegie Works, were dormant or moribund. Dividends were discontinued; foreclosures were the order of the day; investors had lost their capital.

The tariff changes of 1894 had been a hard blow to many industries which had grown up and fattened in a quiet way during the long period of high

protection from the close of the Civil War to the second Cleveland administration. Then, too, the Sherman Act of 1890, aimed particularly at combinations in restraint of trade, had frightened investors away from such "industrial trusts" as the Standard Oil Trust, the Cordage Trust, the Sugar Trust, and the Whiskey Trust which in the eighties had thrived, unmolested by the law. While they were all finally reorganized in such a way as to avoid the penalties of the law, banking and investment prejudice was strongly against them.

But when the Republican party returned to power in 1897 and immediately enacted a new tariff law, with high protective duties, and when at the same time certain court decisions were handed down which seemed to limit the scope of the Sherman Act, a wave of reviving prosperity swept over the country, and capital turned with new confidence to the industrial field. Several of the earlier trusts besides Standard Oil had survived the panic and had been reorganized to conform to the law, notably, the American Sugar Refining Company and the American Tobacco Company. The new industrial combinations were modeled after these. Instead of placing the control of acquired plants in the hands of "trustees,"

holding companies were formed, which acquired all or a majority of stocks in certain competing plants and merged these plants under one control, often by exchanging the stock of the holding company for the stock of the plant.

The industrial consolidation movement was aggressively under way by 1899, when the time for it was ripe. Money was cheap, credit was everywhere available, and prosperity was rising throughout the country. All the important railroad reorganizations, as we have seen, had been carried through, and the great bankers, whose coffers swelled with huge underwriting commissions, were looking for new business. When the promoters of the new type of industrial combination sought banking support in Wall Street, they met with little difficulty. Wall Street was not slow to perceive great possibilities in the financing of big industrial enterprises. A conspicuous example was the American Tobacco Company, which had been created in 1890 as a combination of Allen and Ginter of Richmond, W. Duke, Sons and Company of Durham, North Carolina, and a number of other well-known manufacturers. Its original capital had been ten millions of preferred stock, representing the cost of the properties, and fifteen millions

of common stock, representing good will or "water." But the business had forged ahead so rapidly that by 1898 the "capital" was multiplied fivefold, creating a new group of millionaires.

Then arose the great Amalgamated Copper Company, under the direction of Henry H. Rogers, and speculation in "industrials" became more and more the order of the day on the Stock Exchange. In quick succession a long string of new combinations followed; notably the American Smelting and Refining Company, with more than one hundred millions of capital and embracing over one hundred plants; the American Woolen Company, consolidating a large number of New England woolen mills under a fifty million dollar capitalization; the American Car and Foundry Company, merging the large car-building plants; the American Hide and Leather Company, consolidating over twenty large manufacturers of upper leathers; the International Paper Company, a fifty million dollar combination of paper manufacturers; and a large number of other similar mergers in various lines of industry.

But the biggest of all the industrial trusts was the merger of the steel and iron interests of the country, which began with the incorporation of the

Federal Steel Company in September, 1898, as a holding company to acquire the stocks of the Illinois Steel Company, the Minnesota Iron Company, the Lorain Steel Company, and the Elgin, Joliet and Eastern Railway, a belt line operating about the city of Chicago. The authorized capital of this new concern was two hundred million dollars, of which about one-half was issued at the start. It was a powerful combination and was in the hands of strong and able financiers. The firm of J. P. Morgan and Company took a leading part in financing the enterprise. The general counsel of the Illinois Steel Company, Judge Elbert H. Gary, a leading corporation lawyer of Chicago, thus came into close touch with "Jupiter" Morgan and was chosen as the first president of the new company. The wisdom of the choice was well demonstrated by subsequent experience.

Following came the American Steel and Wire Company, with ninety millions of capital, fathered by the well-known John W. Gates. This was a combination of big western plants, many of them specializing in barbed wire, nails, and wire fencing, but including many other industries and encroaching more or less closely on the field preëmpted by the Federal Steel Company. Gates had originally

been a barbed wire salesman and was a notorious speculator. There followed still other companies: the American Tin Plate Company, with fifty millions of capital, the American Steel Hoop Company, the National Steel Company, and two Morgan consolidations, the National Tube Company and the American Bridge Company.

Carnegie and his associates were watching the situation closely. The great revival in steel and iron had naturally favored them, and their power was steadily growing. But Carnegie and his two chief partners, Frick and Phipps, viewed the empire of business from different angles. For a decade or more Carnegie had been genuinely anxious to retire. He had made his millions, he was getting on in life, and he had no desire to become a great banker with multitudinous outside interests, like Morgan, William Rockefeller, or Stillman. Henry C. Frick, on the other hand, was a natural master of capital; he foresaw the trend of the times. To his mind the days of one-man power were over; great enterprises in the future would be dominated and controlled by groups of capitalists of diverse interests; and even complete industries, if they hoped to live, would of necessity become allied with others. He believed that combination must

take the place of competition and that he and his associates must sooner or later become a part of the consolidation movement. Carnegie saw in the movement only an opportunity to sell out at his own price. Naturally Carnegie and Frick quarreled. Frick was becoming more and more interested in matters outside of the steel business. He had been connected with William Rockefeller and Henry H. Rogers in various enterprises and was even then one of the largest stockholders in the Pennsylvania Railroad, a director in many corporations, and a conspicuous figure in Wall Street. These activities displeased Carnegie. His other partner, Henry Phipps, sided with Frick and so also estranged himself from Carnegie.

Meanwhile a group of Chicago speculators and promoters had come to the front. William H. Moore, a daring promoter, had organized the Diamond Match Company, the National Biscuit Company, and the American Tin Plate Company. He and his associates had made several millions out of the organization of the American Steel Hoop Company and the National Steel Company. Flushed with success and with big cash balances, Moore now approached Carnegie and offered him a million dollars for a ninety-day option on his

stock in the Carnegie Steel Company, the price being $157,950,000 of which over a third was to be in cash. Carnegie agreed, provided Moore would take Frick and Phipps with him. Carnegie guessed that while Moore single handed might not be able to raise the money, Frick, Phipps, and Moore together surely would. But it was not all plain sailing. Morgan had not yet become convinced of the soundness of the industrial movement; the Rockefellers could not be made to see the possibilities of such a gigantic scheme as this, though John D. Rockefeller had personally taken some interest in the Federal Steel Company. And just then a temporary panic occurred in Wall Street, as a result of the sudden death of Roswell P. Flower, who had been the conspicuous operator in the inflated bull market. This incident hampered the efforts of Frick and Moore and before they could raise the necessary money the ninety-day option had expired. Carnegie refused to extend it a single day and quietly pocketed the million dollars which had been given him for the option.

As the steel business continued to flourish and the country enjoyed great prosperity, Carnegie decided that his first offer had been entirely too cheap, and a little later, when John D. Rockefeller tried

to buy him out, he placed his price at $250,000,000. It was Rockefeller's desire to solidify his interests in the ore lands and ore railway in Minnesota, as well as the capital invested in his fleet of ore-carrying vessels on the Great Lakes. But Carnegie's price was too high for Rockefeller, and nothing came of the proposal.

When Andrew Carnegie was laying the foundations of his steel and iron business, he built a small summer bungalow at Cresson Springs, Pennsylvania. Here there was a livery stable run by a man named Schwab, from whom Carnegie was in the habit of hiring horses. Schwab had a son called Charlie who used to hang around the livery stable, a merry, good-natured youngster whom every one liked. The boy had a good voice and interested Carnegie, who was very fond of music. "When that boy of yours is ready for a job, send him to me," said Carnegie to the father one day.

And so, by good luck, in 1880, at the age of eighteen, Charles M. Schwab entered the employment of Carnegie in the Edgar Thomson Steel Works. The young fellow made good and became chief engineer and assistant manager. When Carnegie

bought out an important competitor at Homestead, Schwab was selected as superintendent of the plant and showed his mettle by promptly making the Homestead Steel Works the most profitable of all the Carnegie properties. In 1889 he was brought back to Braddock and placed in charge of the Edgar Thomson Steel Works and three years later was made general superintendent of both plants.

Some time afterward Carnegie told Schwab that he had decided to make him a vice-president, to which Schwab replied:

"No, Mr. Carnegie, I am no good carrying out other men's orders, and I should have to do that as a vice-president. As superintendent I am boss of the plants I manage."

Later again Carnegie approached him. "Well," he said, "if you won't be vice-president, I suppose we'll have to make you president." And they did. In 1897 Charles M. Schwab became president of the Carnegie Steel Company.

Schwab naturally adopted Carnegie's ideas and business policy. He was long opposed to Frick's theory that the future of successful business lay in combination and interdependence. "A big business enterprise," he said, "is invariably built up

around one man." But this was simply an echo of the philosophy of Carnegie, and when the "community of interest" movement began to dominate American industry Schwab gradually changed his view. He was but thirty-eight years old, and his life was still before him. Carnegie at sixty-five was naturally wedded to the theories of the old school. Besides, Carnegie wanted to retire from business, while Schwab felt that he was just getting into business. At a banquet given to him at the University Club in New York, the younger man came out strongly in favor of combination among corporations and deprecated cutthroat competition and the rule-or-ruin policy.

After the failure of the negotiations with Moore and Rockefeller for the sale of his business, Carnegie quietly bided his time until the Morgan interests had plunged so deeply into the steel business in connection with the Federal Steel Company, the National Tube Company, and the American Bridge Company, that they could not possibly back out. Then he set on foot a series of operations designed to create havoc among all the steel corporations of the country. To fight Morgan, he announced that he would go into the tube business in direct competition with the National Tube

Company, and he actually acquired five thousand acres of land at Conneaut on Lake Erie and let contracts for the construction of a twelve million dollar tube plant. To fight John W. Gates and his American Steel and Wire Company, he announced that a gigantic rod-mill would be erected at Pittsburgh. To fight Rockefeller, he ordered the construction of a large fleet of ore-carrying steamships to operate on the Great Lakes. To fight the Pennsylvania Railroad, he set a corps of surveyors laying out a railroad route from Pittsburgh to the Atlantic Ocean. He also planned the immediate construction of an ore-carrying railroad of vast capacity from Lake Erie to the Pittsburgh district.

Such threats as these were taken seriously, for everybody recognized that Carnegie had the power to carry them through. Already he had the whip hand in the steel world. The profits of his corporation in 1900 had been over forty million dollars; he was already making over one-fourth of the Bessemer steel produced in the country and half of the structural steel and armor plate. His costs were lower than those of any of his competitors, and he had no debts. The entire steel trade of the country was thrown into confusion. There was an actual panic among the millionaires of Wall Street.

"We must get rid of Carnegie," they all shouted. "He will wreck both himself and us; he is a business pirate." And the frightened financiers, whose millions were tied up in Federal Steel, American Steel and Wire, and the other great companies, rushed to Morgan for help. The Standard Oil bankers were appealed to; but the undertaking called for such a gigantic outlay and was fraught with such uncertainties, that even these bold financiers hesitated, evidently preferring that Morgan should bear the brunt of the responsibility.

Just at this time, Charles M. Schwab and John W. Gates put their heads together and agreed to interview Morgan. Whether Schwab's overtures were directed by Carnegie or not may never be known, but Schwab by this time saw as clearly as any one that interdependence in the steel business was absolutely essential to its future prosperity. As for Gates, his motives were clear enough: he was one of the panic-stricken millionaires who were threatened with disaster. Schwab and Gates spent eight hours trying to convince Morgan of the necessity of buying Carnegie out. Schwab set forth the strong features of the Carnegie business and the glittering possibilities of industrial peace by means of a combination. Tradition says that

he spoke with much eloquence; at any rate he made the sale; Morgan agreed to pay Carnegie his price. This price was much higher than that stated to Frick and Moore only eighteen months before, higher even than the price named to John D. Rockefeller the previous year. Frick and Moore could have bought the entire Carnegie business for about $157,000,000; it was offered to Rockefeller for $250,000,000; but the amount Morgan paid in January, 1901, was equivalent to a cash price of over $447,000,000. This was represented by giving Carnegie and his associates $303,450,000 in bonds and nearly two hundred million dollars' worth of stock which immediately had a market value of about $144,000,000. It was the greatest sale in the history of the world.

Carnegie was now definitely shelved, so far as the steel business was concerned; his tube plant scheme at Conneaut, his plans for a railroad from Pittsburgh to the sea, and his big rod-mill project at Pittsburgh were all abandoned. But Morgan found his hands full when he came to deal with the other big steel interests. The Federal Steel directors, aside from Judge Gary, had opposed the idea of allowing Carnegie to sandbag them; Gates now felt that Morgan should pay him a bigger price

for American Steel and Wire than he had first named; Rockefeller, with his rich Lake Superior ore beds, also wanted large concessions if he was to become a party to the combination. In short, all the companies which it was planned to put into the merger suddenly discovered that their properties were worth millions more, now that the menace of Carnegie had been removed.

It was indeed a difficult task that confronted Pierpont Morgan. The various smaller steel "trusts" that had been formed during the two previous years were overcapitalized and had issued reams of "watered" stocks. For when the mania for consolidation was under full swing during the period which began with the close of the war with Spain in 1898, discretion had been thrown to the winds, and industrial plants of every type had been bought up by promoters regardless of price. An incident is told which — whether true or not — will illustrate the tendency. When one of the smaller "trusts" was being formed, a party of steel men were on their way to Chicago one night after a buying tour. The men had been drinking and were in a convivial mood. Said one, "There's a steel mill at the next station; let's get out and buy it." "Agreed!"

It was past midnight when they reached the

station, but they pulled the plant owner out of bed and demanded that he sell his plant.

"My plant is worth two hundred thousand dollars, but it is not for sale," was the reply.

"Never mind about the price," answered the hilarious purchasers, "we will give you three hundred thousand — five hundred thousand."

The story is not improbable, for most of the constituent plants had been bought at prices far above their true values. Consequently, the corporation to be formed must have a fabulous capitalization; and stocks and bonds must be issued many times in excess of what the properties would have brought at forced sales in normal times. But Pierpont Morgan was equal to the emergency. He first called in his big lieutenants, one of whom was his young partner, George W. Perkins — a man destined to influence profoundly the policy and fortunes of the corporation about to be born — and the magnates of the independent companies, including Elbert H. Gary, Marshall Field, Norman B. Ream, Henry C. Frick, and H. H. Rogers. It was Morgan's plan at first to include in the combination only those steel companies with which his firm had already become identified, but it was soon seen that it would be dangerous to exclude the

others. If the Gates interests were left out, they might become a menace to the peace of the new concern, for John W. Gates would surely attempt to sandbag Morgan as Carnegie had done. If the Moore brothers were left to shift for themselves, they might get together with others and do the same thing. The chief danger was, however, from the Standard Oil. To allow John D. Rockefeller to remain independent, with his big Lake Superior deposits and his fleet of ore-carrying vessels on the Lake, might easily lead to disaster. A second monster steel business might easily be built up under Standard Oil control. Therefore it must be a case of all or none. The steel industry must be completely merged into one, and all companies of strong financial connections or large resources must be included.

Judge Gary was appointed to open up negotiations with the independents. Daniel G. Reid, of the American Steel Hoop Company, was brought in, and he induced the Moore brothers to join the combination. The Gates group received what they demanded, and then Henry C. Frick was sent to see what he could do with John D. Rockefeller. Frick's position at this time was somewhat unique. Since his break with Carnegie a couple of

years before he had become more of a Wall Street speculator than a mere steel man. He had not definitely allied himself with either Morgan or Rockefeller but was on friendly terms with both. He had close associations with Henry H. Rogers and James Stillman; he had gone into Federal Steel; he was a powerful factor in the affairs of the Pennsylvania Railroad; altogether, he was looked upon as one of the leading protagonists of the "community of interest" idea which had been so strongly championed by Cassatt of the Pennsylvania Railroad, Harriman of the Union Pacific, and Hill of the Great Northern.

Frick succeeded without much trouble in bagging Rockefeller, although the price he paid looked high at the time. Rockefeller received eighty millions in the stock of the new corporation, of which half was preferred stock, besides eight and one-half million dollars in cash for his ore-carrying fleet. These were huge concessions, but the control of the Lake Superior iron mines was absolutely essential, for these deposits represented two-thirds of the new corporation's ore supply.

Having thus gathered together all the important steel interests of the country, Morgan launched the United States Steel Corporation. The stock

capitalization was in excess of a billion dollars, with a bonded debt of more than three hundred millions, and both the big banking groups of Wall Street were firmly tied to the enterprise. The great merger dominated by Morgan drew into its orbit even the Standard Oil "Money Power." Among the big names included in the syndicate, aside from Morgan and his partners, were H. H. Rogers and Daniel O'Day of Standard Oil; Marshall Field, William H. Moore, James H. Moore, Elbert H. Gary, John W. Gates, H. H. Porter, and Norman B. Ream, of Chicago; Samuel Mather of Cleveland; Nathaniel Thayer of Boston; and Daniel G. Reid, Henry C. Frick, Charles M. Schwab, and D. O. Mills, of New York. So under the control of a single corporation passed seventy per cent of the American iron and steel industry. That industry, instead of being operated on the old plan of individual control or independent corporate control, was now linked with scores of banks of great power, with railroads, and with numerous other corporate undertakings.

CHAPTER VI

HARRIMAN AND HILL

Edward H. Harriman was the son of a poor and unsuccessful Episcopal clergyman who spent the latter days of his life as a bookkeeper in the old Bank of Commerce in New York. Born in 1848, young Harriman was just fourteen years old when his father obtained a job for him as office boy with DeWitt C. Hays, a Wall Street stockbroker. This was just about the time when Pierpont Morgan was preparing to get into business in America; when Andrew Carnegie was accumulating his first money in speculative oil and railroad ventures under the tutelage of Scott and was scanning the horizon of the new Bessemer steel business; when John D. Rockefeller was laying the foundations of Standard Oil; and when Henry C. Frick — one year younger than Harriman — was doing duty as an errand boy in Mount Pleasant.

From the very first, young Harriman displayed

unusual ability. He also had that trait of audacity which had shown so conspicuously in the characters of Frick, Carnegie, and Morgan. Almost immediately he began to make a little money in stocks. And he widened his acquaintance rapidly. He became intimate with Lewis Livingston, a member of one of the oldest New York families, who had a son named James. When in 1870, after having worked himself up to the position of bookkeeper of the Hays firm, young Harriman bought a seat in the New York Stock Exchange at a cost of about three thousand dollars, he induced James Livingston to go into the stock brokerage business with him and supply capital through his father. Harriman was successful at once — so successful that within a few months he dissolved partnership with Livingston and formed a new firm with himself at the head and his brother William as a partner. He cultivated the friendship of people of means and social standing and in a few years became prominent among the younger "aristocrats" of New York. In this environment he ultimately came into close touch with the people associated with the Illinois Central Railroad, which had been built during the years prior to the Civil War and had proved wonderfully successful from the start.

Running north and south, it caught broadside the westbound tide of migration; its government grant of rich Mississippi Valley lands was sold early at a good price; soon after it was built the Civil War gave it a big business, and it escaped the ruinous competition which so long devastated the trunk lines running east and west.

A group of old New York merchants had built this road. Though they sold five-sixths of its stock in England and Holland, it became a favorite solid investment for many of the old families of New York. The Astors and the Goelets and the Cuttings were large holders of its stock in the seventies and eighties. The Illinois Central, indeed, was quite the "society railroad" of New York. During the long period from 1857 to 1883 the property had remained under the direct control and operation of William Henry Osborne, an old Manila merchant who had returned from the Philippines in the fifties with a fortune and who had operated the Illinois Central all these years as he would have operated his own warehouse. Osborne had a summer home at Garrison, New York, where he was a neighbor of the old and rich Fish family, a younger member of which was Stuyvesant Fish. The latter became Osborne's secretary in 1872 and a few

years later was made a director of the railroad. In 1883 when Osborne died, he practically bequeathed the management of the railroad to his secretary, although Fish did not actually become president until some years later.

Harriman and Fish had known each other for many years, and as young men had traveled about town a great deal together. In 1880 they were both directors in the Ogdensburg and Lake Champlain Railroad, a property of which Harriman had hoped to acquire the control, for by this time Harriman had made very substantial progress in business, having accumulated several hundred thousand dollars through shrewd trading in securities. He was now beginning to turn away from mere brokerage to railroad management and finance.

The Illinois Central had acquired control of an extensive system of lines south of St. Louis, known as the Chicago, St. Louis and New Orleans, and Stuyvesant Fish had sought Harriman's assistance in placing the bonds. In this work Harriman was notably successful. Meanwhile he had himself acquired a large block of Illinois Central stock and had become more and more the confidential adviser of Fish. At that time there was a large Dutch stockholding interest in the road, whose

votes were cast collectively by the firm that had originally placed the stock in Holland, Boissevain Brothers. One member of this firm came on a visit to America. Harriman met him, gained his confidence, and then arranged to hold his proxies in the Illinois Central meetings. Soon afterwards Harriman was elected a director and became the close associate of Stuyvesant Fish in the actual operation and control of the road.

No two men could have been more dissimilar in personality and bearing than these two. Harriman was small, quiet, restless, and secretive; Fish was a big, open-faced, easy-mannered young man, whose blond hair and great stature had earned for him in the financial district the name of "White Elephant." For a time, however, the two men worked together in harmony. They bought a portion of the old Wabash, St. Louis and Pacific after its failure in 1884; in 1887 they bought the Dubuque and Sioux City Railroad; in the early nineties they bought (much against the will of Collis P. Huntington) the chain of roads with which Huntington had planned to hitch his Southern Pacific system to the Atlantic seaboard; they bought an important section of the St. Louis, Alton and Terre Haute, which George Foster Peabody had been

developing in southern Illinois, thus securing an entry of their own into St. Louis; and they purchased a great number of small roads, until, from the two thousand miles they had in 1883, they owned and controlled in 1897 a system of over five thousand miles.

This policy of expansion did not bring disaster, as had been the case with so many other lines. All through this period the road's credit remained high, and even in the early eighties it was able to sell three and one-half per cent bonds while other roads of good credit were raising money at five or six per cent. This high credit of the Illinois Central was very largely due to the rigid policies which Harriman introduced and developed. Harriman was more than a mere banker or broker; he was a practical railroad operating man. He had made a thorough study of railroading and had early adopted the theory that the first duty of railroad management was to maintain the character of the physical property and to consider mere current profits as secondary. Thus, in the management of the Illinois Central, he never "skinned" the road to pay dividends; he never allowed the roadbed or equipment to become inefficient. Another sound idea he adopted was always to provide ample

funds and reserves for contingencies; never to allow his property to take financial chances in times of dullness or depression. Even when he was raising large amounts of new capital for extensions or purchases, he always provided far more cash assets than were currently needed.

Harriman had very soon grown powerful enough to cross the path of Pierpont Morgan. In 1887, Morgan held the proxies of the stockholders in the Dubuque and Sioux City Railroad, which Harriman wished to buy for the Illinois Central. Harriman fought his plan through and defeated Morgan. This coup was regarded as a ten days' wonder in Wall Street. From that time on Morgan disliked Harriman. Again, in 1894, Harriman and Morgan crossed swords. Harriman owned a few hundred thousand dollars worth of underlying bonds about the time that Morgan announced his plan of reorganization for the Erie Railroad. Harriman objected to the proposed treatment of his securities, brought suit to prevent the drastic reorganization, and in the end forced Morgan to make concessions.

Harriman was as yet little known outside of Wall Street. Although chairman of the finance committee of the Illinois Central and the power behind the throne, he was eclipsed by the figure of

Fish. But in 1895 Harriman stepped to the front. The Union Pacific Railroad security holders were looking in vain for some strong banking interests to finance their property. The road was a frightful wreck with a tangled mass of subsidiary companies, and the United States Government was aggressively insisting on the payment of the huge debt representing the original government loans, with the interest that had accumulated since its building thirty years before. Morgan had rejected the suggestion that he reorganize it, as he was too fully occupied with the rejuvenation of many other railroad systems. Harriman then saw his chance. He decided to reorganize the Union Pacific himself, to make it a subsidiary of the Illinois Central, and to utilize the credit of the latter company for the gigantic financing which would be necessary. But before he had progressed very far in this plan he met with opposition from Kuhn, Loeb and Company, who had become bankers for the Chicago, Milwaukee and St. Paul, the Great Northern Railway, and other properties, and now also were bent upon reorganizing the Union Pacific.

A keen eontest for mastery followed. At first Jacob H. Schiff, the head of Kuhn, Loeb and Company, persistently ignored Harriman, feeling

confident that no interest in New York could successfully reorganize the property except Morgan or himself; but Harriman soon forced him to change his mind. The two were brought together, and, in Wall Street parlance, laid their respective cards on the table. It was an interesting and convincing show-down. Schiff could raise the much needed hundred millions of new capital at five or six per cent through his strong German connections; but Harriman showed how he could raise this sum, and more, on the Illinois Central credit, at from three and one-half to four per cent. Schiff capitulated, and finally reached an agreement with this new master of capital. The road was reorganized by Kuhn, Loeb and Company, and Edward H. Harriman was made the first chairman of its board of directors and later its president.

Harriman had now leaped at a bound into public notice. And, coincidently, as we have already seen — an event of great significance — the powerful Standard Oil capitalists interested themselves in Wall Street affairs.

Too much credit cannot be given to the men who carried out this reorganization of the Union Pacific Railroad. In the first place, they paid to the

Federal Government over forty-five million dollars in cash on a bankrupt railroad — all the principal and full interest at six per cent on the Union Pacific debt, which had accrued for thirty years. Then they put the bonds and preferred stock of the reorganized road on a straight four per cent basis; and finally after these prudential measures, they began to spend money by the tens and hundreds of millions upon this ramshackle property running across the "Great American Desert."

In all these operations Harriman was the masterful leader. Fortune played into his hands. For the first time in years the arid farming sections of the West had copious rains and fine crops. The Spanish-American War resulted in American occupation of the Philippines; and the Union Pacific got a great business from these new possessions. Harriman not only spent money but he spent it quickly, accomplishing in two years' work what had been estimated to take five. And he was reaping the fruit of his enterprise. In three years, under his direction, the system expanded from less than two thousand miles to over fifteen thousand. The old branches running up into the Oregon country were all reabsorbed. After the death of Collis P. Huntington in 1900, Harriman bought in forty-five

per cent of the Southern Pacific Company stock, principally from the Huntington estate.

But now, just about the time that the great steel merger was being carried through, when the big banking interests of Wall Street were everywhere hitching themselves to the Morgan star, Harriman's gigantic railroad plans came into violent collision with the equally gigantic plans of James J. Hill. Until a short time before this, Hill had not been looked upon as a big operator in Wall Street. He had won fame as the builder and successful manager of the Great Northern Railway system, but he had not been directly involved in the large Wall Street deals. At first, as the Great Northern emerged from the panic of 1893, the firm of Kuhn, Loeb and Company had done most of the Great Northern financing in New York. But after the reorganization of the Northern Pacific property by Morgan in 1897, Hill and Morgan began to work closer to each other. Hill had acquired a substantial stock interest in the Chase National Bank, one of New York City's old and strong institutions, while Morgan began to add to his interest in the First National Bank, of which George F. Baker was president. Baker and his associates at this time also acquired a large interest

in the Chase National Bank, and the two institutions became definitely allied in interest. Then, as a natural step, James J. Hill acquired an important interest in the First National Bank. A little later, Hill acquired a large part of the Morgan interest in the newly reorganized Northern Pacific property. This move brought Hill definitely into the group of Morgan financiers, while Harriman was still closely associated with the Rockefeller and City Bank interests.

Hill was now the controlling power in both the Great Northern and the Northern Pacific systems and was becoming more and more of a competitor of Harriman. The latter discerned the dangers ahead and began to extend the Union Pacific branch lines up into the Oregon district. But Hill was looking to the East. Neither of his roads controlled a connection to Chicago, the Northern Pacific ending at St. Paul, and the Great Northern at Duluth. The Union Pacific, on the other hand, had a close alliance with the Illinois Central, which entered Chicago, and maintained traffic connections with other lines. At this juncture Hill decided to have the Northern Pacific buy the stock control of the great Chicago, Burlington and Quincy system. When this move was announced,

it threw the Harriman people into confusion, for it meant that the Union Pacific would have a direct competitor a third of the way to the Pacific. While the Burlington line was bought primarily for the sake of its lines extending from St. Paul southward to Chicago, yet the system had also a lucrative line running to Denver and far beyond into Wyoming.

Harriman now attempted to bargain with Hill and to induce him to let the Union Pacific join in the Burlington purchase and thus tie up all the western systems in a common monopoly. But Hill refused. Then, without the slightest hesitation, Harriman quietly began to buy up the control of the Northern Pacific in the open stock market. In this way he hoped to checkmate Hill, as the Northern Pacific (jointly with the Great Northern) had been made the instrument to carry the Burlington stock and Harriman reasoned that, while a majority of Great Northern stock was doubtless locked up in the strong boxes of Hill and his friends, only a substantial minority of the Northern Pacific stock was so held.

To buy up the control of such a property meant the use of anywhere from $80,000,000 to $100,000,000 in cash. But Harriman knew where he could

lay his hands on the money. Already the Union Pacific had a heavy balance in its treasury; it had, besides, about $60,000,000 of unused bonds which Harriman had the right to issue; and behind him were the huge cash resources of Kuhn, Loeb and Company and the City Bank, with the Standard Oil alliance.

Harriman had gone far on the way to controlling the Northern Pacific before the fact was known to J. P. Morgan and Company. Morgan had gone on his usual spring and summer trip to Europe, and was on the ocean when the storm broke. Coster, his chief lieutenant, had died the year before. The Morgan firm was in charge of Robert Bacon, a fine, upstanding young man, handsome as a Greek god, but not of the Morgan caliber. He had been called to the Morgan firm a few years before from a brokerage house in Boston; but he was not the best substitute for Pierpont Morgan in a great financial crisis.

On the 1st of April, 1901, Morgan and the Hill people together held between $35,000,000 and $40,000,000 of the Northern Pacific stock out of a total of $155,000,000. They had paid an average of about sixteen for this stock only two or three years before and, seeing it rise beyond par, they

were tempted to sell some of their holdings. On the 1st of May they held only $26,000,000 worth. Then Harriman announced that he had bought an actual majority of the Northern Pacific stock. And he had; but there was a loophole which Harriman had overlooked. His purchases were in both common and preferred stock, but the charter of the company provided that the preferred stock could be retired at the will of the directors, thus leaving the voting power entirely in the common stock. It soon appeared that Harriman had not acquired enough common stock to give him control. So Hill and his friends, with the Morgan house and its powerful connections, rallied and employed James R. Keene, the famous stock market manipulator, to buy a majority of the Northern Pacific stock for them. Between the 3d and the 7th of May over $15,000,000 worth was bought — enough, they thought, to give them an actual majority.

But at the same time Harriman also was buying; and by the 9th of May both parties claimed to have a majority. The stoek had been "cornered"; the price soared and soared; at ten o'clock on the 9th of May it sold around $350 a share; one hour later it was quoted at $1000 a share. Wall

Street plunged into a panic; stocks of every character dropped with a thud; it was plain that, unless something was done, every broker and every banker in Wall Street would fail by nightfall. So the two contestants had to suspend hostilities in order to save the financial world they lived in. A truce was signed pending Morgan's return to New York in July. In November, Bacon retired, broken in health by the gigantic strain of the Morgan business, just as Coster before him had been. But his place was more than filled by George W. Perkins.

In the formation of the Northern Securities Company in the fall of 1901, another important link was forged which served to weld the rival financial groups of Wall Street together. The Northern Securities Company was a holding corporation with $400,000,000 capital, which was formed to acquire by exchange of stock all the capital of the Northern Pacific Railway and a majority of the capital of the Great Northern, thus insuring control of the Burlington, nearly all the stock of which had been acquired by these companies. As the Union Pacific and Harriman and Standard Oil interests had bought a great block of Northern Pacific stock, this agreement meant that they would control substantially half of the Northern Securities Company

stock. Thus, by a gigantic stroke, railway competition in the vast region west of the Mississippi was eliminated, and a combination of capital, far greater than that of the Steel Trust, was formed. The Harriman properties now embraced the Southern Pacific system, with its eleven thousand miles of railroad radiating throughout the entire Southwest, and the Illinois Central, with its five thousand miles extending down the Mississippi Valley to the Gulf. The Hill properties, now jointly controlled and operated by Hill and Harriman, included over fifteen thousand miles of lines radiating throughout the entire rich region north and northwest of Chicago and extending through to the Pacific by two distinct routes.

But this alliance of western properties by no means represented all or nearly all the railroad power of either Harriman or Morgan. Harriman had caused the Union Pacific to acquire important interests in the New York Central, the St. Paul, the Atchison, and the Chicago and North-Western, following out the "community of interest" theory of which he was such a strong advocate. Morgan, on his part, was just as firmly as ever in control of his eastern properties, the Erie and the Southern, and had important influence in the management of

the Reading, the Lehigh Valley, the Baltimore and Ohio and, of course, the entire Vanderbilt lines. Interlocking directorates were becoming the vogue in the entire railroad world. The powerful Pennsylvania Railroad, under the remarkable and forceful personality of Alexander J. Cassatt, had pushed the "community of interest" idea aggressively, and its representatives were on the boards of directors of all of its competing and many of its connecting lines. In nearly all directions, the railroad systems of the country had now been welded together under the financial control of practically one powerful interest.

There was, however, one loophole left open. The lucrative Louisville and Nashville Railroad was still outside the breastworks, when John W. Gates — who, since he had sold out his American Steel and Wire Company to the Trust in 1901, had become a notorious stock-market "plunger" — and Edwin Hawley joined forces in 1903 and bought a majority of the Louisville and Nashville stock. Hawley had been one of the lieutenants of Collis P. Huntington, after whose death and the sale of the Southern Pacific to Harriman he had become a free lance. He bought small railroads for the purpose of selling them out at a profit, just as a

smaller man would buy a block of stock for the same purpose. He and Gates formed a strong combination; but their reputation was that of manipulators; and it was feared that they would wreck the solid old Louisville and Nashville property in short order by unsound financing and unprincipled manipulation. In fact, this was their intention. They worked up an enormous speculation in the stock, caught certain large insiders short, and threatened to start another "corner" similar to that in the Northern Pacific. To prevent the recurrence of such a disaster, Morgan stepped in and took the Louisville and Nashville off their hands at their own price. Later, Morgan turned the control of this railroad property over to the Atlantic Coast Line, which had been welded together by Henry Walters and was being operated in harmony with the Morgan interests along the South Atlantic seaboard.

There was now but one large system of American railroads that actually escaped the control of conservative bankers of the Morgan and Standard Oil type, with their "community of interest" formula. This was the Chicago, Rock Island and Pacific. In 1902, their pockets bulging with the millions acquired in the big steel merger, the Moore

brothers, with Daniel G. Reid, and others, formed a syndicate and bought the control of this property. They immediately loaded it up with several hundred millions of watered capital, and then so fixed the voting power that they could sell practically all of it to the public and yet still retain control of the property. Thus, the Rock Island system became simply a football for Wall Street gamblers; its roadbed and rolling stock were neglected; the road was "skinned" year after year to pay dividends; and an extravagant policy of expansion was pursued which in the course of time forced the entire system into bankruptcy, and the flimsy structure collapsed like a house of cards.

CHAPTER VII

THE APEX OF "HIGH FINANCE"

In 1903 the United Steel Corporation failed to earn its dividends, its great issue of common stock fell to a few dollars a share, and people began to think that Morgan was no wizard after all. Carnegie, the retired and intrenched multimillionaire, sat back and laughed; Harriman, the enemy of Morgan, gloated over the fall of his rival; the Standard Oil magnates, always jealous of the Morgan power, said little but watched and waited. But while the fickle public cried calamity, Morgan kept on being a "bull." He knew that the ebb was temporary; that the tide would soon turn. He urged his clients to buy steel and other good industrials. The decision of the Supreme Court in 1904 ordering the dissolution of the Northern Securities Company caused a shiver in the framework of Morgan's gigantic structure. But it was only a shiver. The tide did turn, and big business went merrily on

until the storm broke in 1907. Steel stocks rose above their original figures, and the house of Morgan regained its prestige and added to its financial strength.

During these years Morgan formed the great shipping combination known as the International Mercantile Marine Company, which absorbed the White Star Line, the American Line, the Red Star Line, the Leyland Line, and many other transatlantic companies. The idea of this combination was to eliminate the cutthroat competition which then existed in the transatlantic trade in freight and passenger rates. The leading lines between New York and England, which included the Cunard Line, the White Star, and the American Line, had suffered during the few previous years through competitive conditions just as the trunk line railroads had suffered for more than a decade prior to the period when the Morgan idea of "combinations" and "community of interest" had been so widely introduced. It was felt that the same methods of combination in the ocean carrying trade might have equally beneficial results.

But the organization of the International Mercantile Marine Company proved to be one of Morgan's business mistakes — until the unprecedented

demand for shipping in the Great War resulted in large earnings. The vital fact was apparently belittled or overlooked that a combination of carriers on the high seas cannot be welded into a monopoly in the same way that a combination of railroads can be. The ocean is free to all comers, while a railway right of way is in its very nature exclusive and grows more valuable as the territory covered increases in density of population and wealth. It would be practically impossible, because of the stupendous costs, for a direct competitor to be built today paralleling the Pennsylvania Railroad between New York and Pittsburgh; but it would be simple enough for an organization of capital to establish an entirely new line of steamships between New York and Liverpool.

This was but one of the facts which were overlooked by the promoters of the steamship combination. The competing lines controlled in England and Germany were all the beneficiaries of large government subsidies, whereas the new Morgan combination, being under American control and financed by American capital, could not enjoy these benefits. Moreover, as soon as the new combination began to compete aggressively with the Cunard and German lines, both the English

and German Governments came to the rescue with further large subsidies and benefits. The Cunard Line was able to make an arrangement with the British Government whereby the latter advanced money at two and one-half per cent for the construction of new liners of mammoth capacity, such as the *Lusitania* and the *Mauretania*.

A more successful flotation by the Morgan firm was that of the International Harvester Company. This was a gigantic combination of manufacturers of harvesting machinery and included the larger plants in the United States and also many of those in Europe. Its capitalization was large, but it distinctly stabilized business conditions in this line of industry and prospered notably from the very start. Credit was especially due to George W. Perkins, Morgan's young partner, for forming this new combination.

During a long period the Morgan firm had been closely identified with the General Electric Company, a great manufacturing concern which had been building up a world-wide industry. But the General Electric Company was now becoming more than a mere manufacturing concern. With its large capital and high credit it was steadily going into the business of developing public utility

operating companies. The old North American Company, which had originated as the Oregon and Transcontinental Company many years before and had been the holding corporation for the interests of Henry Villard in connection with the Northern Pacific and certain Oregon railways, had now been revamped as a public utility holding company and had gradually acquired control of, or large interests in the street railways and lighting companies of St. Louis, the Milwaukee public utilities, and the Detroit Edison Company.

But perhaps the most striking development of this time was the further unification of railroad control. After the Supreme Court decision dissolving the Northern Securities Company was handed down in 1904, the stocks of the Great Northern and Northern Pacific railways which had been acquired by this holding company were returned to their holders. The Union Pacific Railway received into its treasury an enormous amount of both Great Northern and Northern Pacific stock. At this time, these stocks were of tremendous market value. Both roads showed large earnings and were paying liberal dividends, besides cutting "melons" by dividing surplus profits in one form or another. The stock market was

booming, and the quotations in these stocks soared to unheard-of heights. Great Northern stock sold in 1906 as high as $340 a share and Northern Pacific at about $230. The Union Pacific suddenly found itself rich beyond the dreams of avarice; its treasury was overflowing with valuable securities. And when, after this dissolution, the Harriman and Hill interests reached a definite agreement on matters of policy and division of territory by carrying the "community of interest" idea to its logical conclusion, there was no further need of the Union Pacific to retain control of these large amounts of stock. So Harriman decided to dispose of them. These sales, which were spread over a considerable period, brought an immense amount of cash into the treasury of the company and resulted in a total profit to the Union Pacific of more than fifty millions of dollars.

Thus the Union Pacific Railway had become a veritable storehouse of cash, in fact, a bank of enormous resources. But Harriman had no intention of allowing the railroad to remain a bank; he had more ambitious plans. The Supreme Court decision, while preventing the practical merger of competing lines, said nothing about the control of connecting lines. So the Union Pacific cash was

immediately employed in adding to the Union Pacific's interest in connecting systems. It had always been Harriman's ambition to control an ocean to ocean railroad, and he now began to purchase in the interest of the Union Pacific great blocks of stock in the Baltimore and Ohio Railroad, besides adding heavily to that already owned by the Union Pacific in the Illinois Central. By the early part of 1906, the Baltimore and Ohio was practically an eastern arm of the Union Pacific Railway. And inasmuch as the Baltimore and Ohio already owned practically a dominating interest in the Reading Company, with the control of the anthracite fields, and the Reading controlled the Central Railroad of New Jersey, with its entrance into the New York City district, the Union Pacific now became a network of railway lines extending from ocean to ocean.

In short, the general tendency was for all the American railroads to become more and more closely knit together in policy and interest. The St. Paul in these years began to develop its western extension, and the Rockefeller interests, which were so closely allied with the Harriman railroad financiers, had complete control of the St. Paul. The Gould properties were being linked into one

harmonious whole, and a plan was under way for a Gould transcontinental line also stretching from ocean to ocean. The Western Maryland system was acquired by the Goulds, with Rockefeller aid, and it looked as though a great system would soon be built up, side by side with the Harriman lines, but in close control and with the maintenance of harmonious relations.

The Hill and Morgan properties of course exhibited this same tendency towards greater harmony and concentration. Hill's lines radiated throughout the Northwest but worked in harmony with both the Harriman and the Rockefeller interests. The Atlantic Coast Line, with the great Louisville and Nashville system, under the management of Henry Walters and under the partial control of Morgan interests, operated in complete harmony with the Southern Railway system on the one hand and with the Illinois Central on the other. Morgan took care that his Erie system maintained favorable and harmonious relations with the great Vanderbilt lines, while the Pennsylvania system, under the guidance of that master hand, Alexander J. Cassatt, worked in complete harmony with all the other large railroad interests.

The intercorporate relationships of the railways

reached their highest point before the panic of 1907. By the end of 1906, we find that of a total railroad stock capitalization of about twelve billions of dollars, more than one-third was owned by the railroads themselves. In the cases of competing or parallel systems, minority interests of sufficient amount were held to create a substantial if not a dominating interest; but in the case of non-competing lines, or connecting lines, majority control was often effected. The latter was the case in New England, where the New York, New Haven and Hartford system, under Morgan influence, had acquired complete control of practically all the means of transportation, including the many coastwise steamship lines.

This remarkable welding together of great corporate interests could not, of course, have been accomplished if the "masters of capital" in Wall Street had not themselves during the same period become more closely allied. The rivalry of interests which was so characteristic during the reorganization period a few years before had very largely disappeared. Although the two great groups of financiers, represented on the one hand by Morgan and his allies and on the other by the Standard Oil forces, were still distinguishable, they were now

working in practical harmony on the basis of a sort of mutual "community of interest" of their own. Thus the control of capital and credit through banking resources tended to become concentrated in the hands of fewer and fewer men.

The machinery for the control of credit had become steadily more effective since the days of the Steel Trust merger. Two groups of banks, partially allied but still independent, had been reaching out through the entire country. The National City Bank, now under the management of Frank A. Vanderlip, James Stillman having practically retired, had grown tremendously in power and with unusual rapidity. It had formed connections with large institutions in various cities of the country and had brought under its control several great trust companies. The growth of the Morgan banks and trust companies during this period was no less notable.

In the same period began a contest for the control of life insurance assets. In earlier days the life insurance business had occupied a modest place in the American financial world. The old, solid companies had grown steadily and quietly year by year, increasing their patronage and adding to their assets in a staid, conservative way. But

they were generally looked upon as a thing apart, so far as banking connections or general financing were concerned. The old Equitable Life Assurance Society, although near the Wall Street district, was as distinct from Wall Street influences as though it had been located in Hartford or in Philadelphia; and the same was practically true of the Mutual Life Insurance Company and the New York Life Insurance Company. The investments of these large and growing companies, as well as those of a myriad of smaller ones, had from time out of mind been confined to government and municipal bonds and the highest grade of railroad securities. Each year had seen the surpluses of these companies grow, but as a matter of course their large cash resources were looked upon as unavailable for ordinary financial purposes. While the laws regulating the investment of life insurance funds were far more liberal than those pertaining to the investment of savings bank funds, yet Wall Street did not regard the one as any more liquid or available than the other for its own uses. As late as 1889 it appears that very little attention had been paid to the possibility of making use, in financial schemes, of the large liquid assets of these great companies.

But in the early nineties the trust company movement began to get vigorously under way. Trust companies, formed as they were under unusually liberal banking laws, could not only compete with the ordinary state banks and the national banks in doing a straight banking business — receiving deposits, discounting notes, and making loans on collateral — but were fully empowered to do many other lucrative things. They were perfectly free, for example, to "underwrite" financial schemes and to take large interests in promotions or financial enterprises of a more or less speculative nature. Such underwritings or promotions frequently yielded fabulous profits, and it was quickly seen that the stock of a modern trust company was likely to pay larger dividends than that of a bank, which operated under rigidly restrictive laws.

These possibilities for lucrative profits began to be more fully demonstrated as the readjustment and reorganization period set in about 1893. Up to that time trust companies had made a special feature of acting as fiscal and financial agents, paying coupons, dividends, and performing the general work of trusteeship for both corporate and individual interests. But now they began to be the headquarters for bondholders' committees

and the agencies for reorganization committees and the like. Soon a further step was taken; abandoning the mere rôle of trustee, they began to be reorganizers and financiers of corporations directly. Profits flowed in, the stocks of the trust companies began to soar, and trust company dividends ranged far higher than did old-line bank dividends. An investment in the stock of a large Wall Street trust company became far more lucrative than an investment in a first class bank of the old style. So trust companies began to be formed with great rapidity.

But to form large companies with great resources and substantial reserves required much money. They were a new thing, and the type of individual investor who was perfectly willing to put money into a national or state bank was inclined to hesitate before embarking on this new enterprise. But money must be got somewhere; so the shrewd minds identified with or attracted by the possibilities of the movement began to search for untouched resources of some kind. Some success was achieved in getting Standard Oil money into the field, but only to a limited extent. For a while it looked as though the trust company business would have to take the usual course of any new business

with money-making ideas and prove its stability with the lapse of time before it could hope to take a permanent place in American financial affairs.

Suddenly a new and unexpected source of capital opened. Identified with certain of the large life insurance companies of New York, either as presidents or managers, were a number of men of the purely financial type, men who were more or less involved in Wall Street interests and enterprises. These men, with their swelling insurance assets, were constantly looking for investments for the surplus funds of their companies; and they were not, as a rule, averse to making private fortunes for themselves. Though the life insurance laws restricted them to some extent in the use of the policyholders' money, so that they could not, as a private banker might, make use of this money in any really free and speculative way, it was perfectly legitimate for a life insurance company to invest its funds in any company operating under the banking laws. There was therefore nothing to prevent the Mutual Life or the Equitable Life from holding the stock of a trust company. And as the value of the capital stock of a bank or trust company in those days depended largely upon the character of its management or the personnel of its

board of directors, it was soon found that a trust company which was openly identified with a large and powerful insurance concern would be assured of success.

Life insurance money thus began to go into trust companies, and officers and directors of life insurance companies began to take conspicuous places as directors of trust companies. And in addition, these new directors began to grow rich; and they grew rich in many cases where at the start they had no capital whatever. In forming a new trust company or in enlarging an old one by the issue of new stock, they not only would have their insurance company subscribe to a majority of the stock but would themselves subscribe to a minority on the same terms, and then deposit their own stock as collateral for a loan which they would obtain from their own insurance company. It would not in all cases be necessary for them to deposit any cash "margin" in the loan, for almost invariably the stock would be sold to them, as to the insurance company, at a figure considerably below its market value.

At that time there were no restrictive laws which forbade an officer of a corporation to borrow money from his own company on collateral, and

the president or director of an insurance company was perfectly free to make use of the funds of his own company provided he deposited necessary security. And as he was himself the authority who scrutinized the collateral, it will be seen that his path was generally a very easy one.

During the period from about 1890 to the opening of the new century, this flow of life insurance money into the coffers of the trust companies increased rapidly. And as time went on, the movement took on new phases. The life insurance company, with its enormous cash assets, naturally favored its own trust companies in the matter of bank deposits and banking business generally. And as the trust companies had also begun to go largely into the investment business and dealt in stocks and bonds with practically the same freedom that a private investment banker did, it was not long before practically all the investing of life insurance funds was being done through the subsidiary trust companies. Naturally, in many cases the chief desire of the directors and large individual stockholders of the trust companies (who were also directors or officers of the parent life insurance companies) was to make big profits for the trust companies; so that, in many cases, the insurance companies were

discriminated against in the matter of prices by their own directors or trustees.

But discrimination did not stop here. As we have seen, the trust companies early became promoters, financial underwriters, and controllers of big schemes. This sort of work involved the use of much capital; and the tendency was to get more and more life insurance money into the coffers of the trust companies, so that the latter would have plenty of funds to work with. There was "big money" in these things for the trust companies, but the life insurance companies often received only the normal rate of interest on their fat deposits which were used to make unheard-of profits for their own directors.

Notwithstanding the fact that trust companies and interlocking directors were growing rich through this use of insurance funds, the life insurance companies also continued to prosper. It was a period when practically the whole country was prospering, when New York City especially was waxing richer and richer, and when more and more men were not only taking out policies but were going into the life insurance business. Extraordinary efforts were continuously made by the great insurance companies to add to their lists of policyholders

and to increase their surpluses. Naturally, all life insurance directorates which were also interested in trust companies and in Wall Street affairs generally, wanted to see the funds of their companies flow in a never ceasing stream, and they developed the most efficient and far-reaching organizations for getting new business.

By 1900 the assets of the great life insurance companies in New York City had begun to loom large in Wall Street operations. At the beginning of the movement we have been following, many more or less inconspicuous men were identified with it, but it was not long before the larger banking powers of Wall Street began to realize the possibilities in the control of life insurance assets. Prior to 1890 the "big three" New York companies — the Mutual, the Equitable, and the New York Life — had few conspicuous banking affiliations. But about that time, the Morgan house began to identify itself more closely with the New York Life, whose new president, John A. McCall, became known before very long as a Morgan man. The Equitable Life had had its various banking affiliations, and its president, Henry B. Hyde, was fairly close to Wall Street affairs. It had early become the controlling factor in the Mercantile

Trust Company, which, prior to the reorganization period, had been prominent chiefly as a conservative, "old-line" trust company, confining itself almost exclusively to the original business of performing the work of trustee and agent, to which its banking and deposit business was only incidental. The Mutual Life, with Richard A. McCurdy at its head, had grown steadily and solidly, but it was not until the early nineties that its name became identified with a trust company or Wall Street business. About this time, however, a small trust company, known as the New York Guarantee and Indemnity Company, came under the control of the Mutual Life. Its title was changed to that of the Guaranty Trust Company, and certain trustees of the Mutual Life Insurance Company became prominent in its directorate. Its capital was enlarged, and with the new connection its credit improved and its business grew by leaps and bounds. The control of the United States Mortgage and Trust Company was also acquired by the Mutual Life and its business also took a spurt.

In the course of time, many trust companies of less prominence became identified with the insurance companies, and finally, Wall Street bankers and financiers of the influential type began to flood

the directorates of the insurance companies and the trust companies alike. Then came the period of big financing, the decade of consolidation and merger, followed by several years of feverish speculative activity in Wall Street and vast schemes of promotion. All the large bankers were soon on the finance committees of the life insurance companies — such men as J. P. Morgan, several of his partners, Jacob H. Schiff of Messrs. Kuhn, Loeb and Co., Henry C. Frick, Edward H. Harriman, and the Rockefeller representatives — indeed, all the big captains and masters of Wall Street.

Life insurance assets had now become a large factor in high finance and a vital part of the movement toward the control and capitalization of industry in general. Banking power, as identified with the different groups, now implied the control not merely of groups of national banks and trust companies but also of the life insurance companies with large assets and growing resources. Not only were the "big three" involved in this steadily growing concentration of power, but other large companies, such as the Metropolitan Life, the Prudential Life of Newark, and several companies in more distant cities, were becoming assets of importance to the big contending groups in Wall Street.

During that remarkable period from 1898 to 1904, when the industrial and commercial enterprises were being more and more heavily capitalized, when fabulous individual fortunes were being piled up, and when concentration of the control of finance was rapidly hastening to its climax, the assets of the insurance companies were handled with steadily increasing recklessness. At first considerable caution had been shown in the use of these large sums, but towards the end of the period they were more freely used in speculative and uncertain enterprises. Both money and credit were getting scarce under the strain of continued capitalization and promotion; and in Wall Street the period of "undigested" and "indigestible" securities was arriving. Private bankers were not so eager to secure large allotments in underwriting syndicates; large bond and stock issues did not go so well with the public as formerly. And yet all the giant promoters, the Harrimans, the Morgans, and their allies, needed cash and credit to carry through vast enterprises. Naturally, therefore, insurance assets, on which there was little or no restriction, were used more and more. Not only were insurance companies of great strength "allotted" abnormally large amounts of syndicate under-

writings and securities by their own trustee bankers, but their subsidiary trust companies and other financial dependencies were also loaded up in the same way. The method became so free and easy that a great banking house engaged in carrying through some gigantic operation would simply "allot" to a certain insurance company a specified amount of bonds or other securities and would then instruct its president or trustees to take them, willy-nilly.

Naturally, this loose and extravagant method of making use of hundreds of millions of dollars belonging to hundreds of thousands of policyholders bred extravagance and corruption in the ranks of the smaller minds in the insurance organizations. In the great companies particularly, extravagance, waste, and inefficiency steadily grew. Millions of dollars were spent annually in elaborate furnishings for executive offices; all sorts of useless positions were created for retainers and worthless officers and clerks; money was wasted in buildings, in useless advertising, and in many other ways. Graft in a thousand forms began to creep in.

In 1903 occurred a semi-panic in the Wall Street security markets. Business had fallen off noticeably in the industrial world; the railroads staggered

in many cases under the heavy capitalizations created during the speculative period of the few years previous; and money was scarce and high. President Roosevelt had attacked the Northern Securities merger, and the Government had started suit for its dissolution. The great Steel Trust had fallen on evil days, and its stocks and bonds had dropped helter-skelter to low levels. This was a period of "undigested securities," and pessimism reigned everywhere.

Because of the scarcity of capital and the low credit of many concerns, a feeling of unrest and insecurity prevailed in financial circles. Some outside interests began to investigate the stability of large concerns; and some banking and trust company failures ensued. Then the security holdings of insurance companies, which were obliged to file annual reports and lists of their securities, began to be closely scrutinized, and it was realized that the large companies were loaded up with many unprofitable syndicate accounts and large investments which had undergone vast depreciation. Criticism soon became rampant, and various suits were started against companies and officials. But little change occurred until the following year, when strenuous efforts began to be made for a

thorough investigation of the affairs and methods of the companies.

A sensational insurance investigation which began in 1905 lasted for several months. Under the direction of Charles E. Hughes, it disclosed to the public the entire inside history of life insurance finance during the previous decade, with all its high finance, reckless manipulation of funds, waste, extravagance, and graft. The result of this investigation was that new and far more stringent laws were enacted looking to the safeguarding of the assets of policyholders and the proper investment of insurance funds.

Thus, at one stroke, a prolific source of free and unrestricted cash was cut off from the speculator and promoter. The hundreds of millions which had for years been bandied about at the beck and call and to the profit of small groups of powerful men were no longer available.

The investigation of the insurance companies, with its results, was undeniably one of the factors which helped to save the situation when the panic of 1907 arrived. Had not the reckless financial methods of handling insurance funds been curbed a few years before, the crash of 1907 would have been far more disastrous than it proved.

The insurance companies were still loaded with large amounts of unsalable securities, but they bought no more, and under strict legal restrictions in the course of time they liquidated most of their dangerous assets without material loss.

CHAPTER VIII

THE PANIC OF 1907 AND AFTER

It is not to be assumed that the concentration of banking power and the control of corporate activities had no unfortunate accompaniments. Unquestionably the consolidation of the great railroad systems of the country, under the "community of interest" plan, resulted in greatly stabilizing freight rates; it increased efficiency of operation; it enabled the managements to develop large amounts of new business and to show greatly increased profits; and it bred a spirit of invincible optimism in Wall Street. The large crops of these years, the unusually heavy tide of foreign immigration, and the boom in business generally, all helped to increase this feeling of optimism in Wall Street. Great material progress and prosperity, however, inevitably invite speculation; and speculation, once begun, grows by what it feeds on.

In the closing months of 1904 a great speculative

movement in the stock market began and continued almost without interruption through 1905 and well into 1906. The prices of railroad stocks soared to unheard-of heights; Great Northern preferred rose above 300; Northern Pacific above 200; St. Paul to nearly 200; Atchison, Southern Pacific, Union Pacific, New York Central, and the rest all steadily climbed to higher and higher levels. Industrial stocks, also, were having their day, and new enterprises were being floated in Wall Street by the hundred. Credit was easy to obtain; interest rates were low; and after 1905, most of the bankers and speculative investors had become so accustomed to high prices and large speculative profits that almost any financial "proposition" found ready acceptance in Wall Street.

It was a new day for the underwriting syndicate, and brokers eagerly sought for opportunities to underwrite anything that promised profits, regardless of its merit. Many undertakings of extremely doubtful or speculative nature were passed along as sound without any real investigation whatever. Many private banking firms, even of relatively conservative reputation, acquired the habit of joining in questionable underwritings. The new era of banking control, moreover, had brought with it a

superficial notion that financial panics like those of 1873 and 1893 could never again occur. It was frequently said that the coördination of American industry, under the control of powerful banking institutions, would always be a safeguard against the dangers of inflation and over-speculation. Yet in 1906 financial America was in a very true sense riding for a fall.

The United States Shipbuilding Company, known as "the Shipbuilding Trust," illustrates the speculative spirit which was undermining the financial credit of the country. This was a combination of shipbuilding manufacturers, promoted on the theory that Congress, under the control of the Republican party, would soon pass a liberal ship-subsidy law which would be followed by a great revival in shipbuilding. This expectation had also buoyed up Morgan's International Mercantile Marine Company formed in 1902. No legislation of the sort took place; but the promoters of "the Shipbuilding Trust" continued their efforts with undiminished fervor. A young man named Daniel Le Roy Dresser organized the Trust Company of the Republic and attempted to underwrite this United States Shipbuilding Company. Eight companies, one or two of which were fairly

valuable, the rest being largely heaps of junk, were merged in the combination, the capitalization of which was colossal. An enormous bonded debt was created to raise funds to buy up the operating companies at high valuations. One small plant, which the owners a year before would have been glad to sell for $100,000, was bought up at a valuation of over $2,000,000, one-quarter of which was paid in cash.

The United States Shipbuilding Company had hardly been formed when it began to fall to pieces. The underwriters were not able to make good. Then to the astonishment of everybody, its president, Lewis Nixon, announced that the company had bought the Bethlehem Steel Company from Charles M. Schwab. This seemed incredible, as the Bethlehem Steel Company was of more tangible value than the whole outfit of shipbuilding plants. Everybody thought Schwab was crazy, for he was to be paid, so it was generally understood, in bonds of the United States Shipbuilding Company, which promised to be worthless. But Schwab was far from crazy. He had insisted that the bonds carry voting power. Presently, when the whole scheme went down with a crash, carrying with it the Trust Company of the Republic,

Schwab was found in possession of the entire group of plants, including the Bethlehem Steel. He then lopped off the worthless properties and attached the good shipbuilding plants as subsidiaries to the Bethlehem Steel Company.

Another and equally unsound type of promotion was going on in banking. A number of smaller financiers, trying to copy Morgan and Standard Oil, would form a chain of banks with unlimited capital, to promote their speculations. Notable among these speculative bankers was Charles W. Morse, a man of unusual ability. He had made a large fortune in the American Ice Company and in the manipulation of its securities in Wall Street; he had also done something in shipbuilding and operating steamships. By 1905 he had reached a position of substantial power in Wall Street. He acquired control of the Bank of North America, one of Wall Street's old and solid institutions, and began to make use of this bank's credit and resources for financing his promotions. Finding himself in need of more capital, he acquired control of other banks by making use of the resources of the banks he already owned or controlled. By the close of 1906, he had under his own sway, or that of his close friends, seven or eight good banks,

besides having considerable influence in a number of others. He then launched an ambitious scheme for consolidating all the coastwise steamship lines on the Atlantic seaboard, paying fabulously high prices for these lines and capitalizing them to the moon. Having thus acquired nearly everything afloat from Maine to Florida, he bought from Morgan all the stock of the Central of Georgia Railroad Company in order to get control of the Ocean Steamship Company, a line which operated from Savannah to New York and connected with the Central of Georgia.

Meanwhile the great pot in Wall Street went boiling on. In the summer of 1906 the Harriman financiers added fuel to the fire by suddenly increasing from six to ten per cent the dividend on Union Pacific common, thus sending that stock up forty points practically overnight. Discretion in Wall Street was thrown to the winds; many of the most conservative houses began to push securities of more and more doubtful types. A mining stock craze broke out, and in a few months the whole country was madly buying up worthless shares in a thousand or more gold and silver mines at ridiculously high prices and without thought of investigation. The Wall Street "curb" became a

bedlam of mining brokers, and even the Stock Exchange gave dignity to a number of mining ventures by listing their stocks.[1]

Long before the close of 1906 there were ominous signs of danger ahead, and many thoughtful men began to urge caution. The wild speculation caused a steadily increasing strain on credit, and demand loans in Wall Street rose in September to the highest figure they had reached in years. In the same month, the New York banks reported a deficit in reserves and appealed to the United States Treasury for surplus gold. This timely deposit afforded temporary relief; but the year closed in strain. Most of the Wall Street bankers, however, persisted in the theory that fundamentally everything was sound, that the outlook for 1907 was distinctly hopeful, and that after the turn of the New Year all would be well.

Wall Street financiers, high and low, seemed to be hypnotized by the long period of easy money, rising prices, quickly made fortunes, and successful

[1] The immediate cause of the mining stock boom was the discovery, in the previous year, of the great silver deposits in the Cobalt region of Canada and the gold deposits in the Goldfield region of Nevada. A few companies, such as the Nipissing mines in Canada and the Jumbo mine in Nevada, were real bonanzas and paid millions in time to their stockholders, but nearly all the others sooner or later turned out to be worthless.

promotions. Harriman certainly did not foresee any bad turn in affairs, for in 1906 he caused the Union Pacific and Southern Pacific companies to employ their large surpluses in buying large additional blocks of railroad stocks at top prices; the Morgan and Hill interests did not seem to foresee trouble, for they were developing their railroad properties and spending money like water on improvements; the City Bank or Standard Oil masters did not gauge the future accurately, for they were not only doing nothing to stem the tide of speculation, but were actually floating various schemes of their own on the current. Certainly smaller and more speculative men, like Charles W. Morse, Charles M. Schwab, F. Augustus Heinze, and Charles T. Barney of the Knickerbocker Trust Company did not fear the future, for they were extending their operations in all directions. Schwab had gone into mining on a large scale; Heinze was promoting a balloon known as the United Copper Company, aided by the credit of the Mercantile National Bank, control of which he had acquired; Morse was floating his ship bubble; and Barney was sinking the funds of the great Knickerbocker Trust Company in all sorts of unsound ventures.

Little change in conditions occurred until February, 1907, but with the opening of the month the stock market began to crumble, and the banks commenced to call in loans and mend their fences. But the real unsoundness of the day was not understood until, a few weeks later, Henry H. Rogers, vice-president of the Standard Oil Company, found difficulty in securing a loan of twenty million dollars for his Virginian railway, which he was at that time building to open up some soft-coal fields in the western part of the State. Rogers had to pay an equivalent of over eight per cent for this loan, secure it with over thirty million dollars of the highest grade investment stocks and bonds, and personally endorse the notes, though his credit was as high as that of any man in the United States. This transaction created consternation. If the vice-president of the Standard Oil Company, that great reservoir of ready cash, had to go into the market for a pittance like twenty million dollars and pay over eight per cent for it, then indeed things were in bad shape.

The "March panic," or "silent panic" as it was called, immediately followed. Stocks dropped three to ten points at a time; money rates reached a great height; banks closed their doors to borrowers;

and stockbrokers began to fail. Speculators by the thousands were wiped out; the mining boom on the "curb" completely collapsed; and in Wall Street financiers were seen daily and hourly, rushing hither and thither, trying to devise ways and means to weather the storm. But the high money rates drew gold from Europe; the Secretary of the Treasury deposited further funds in New York banks; and as the crop-moving period had ended, funds naturally gravitated to New York City, and thus helped to relieve the situation. The panic was stayed for the time being.

Wall Street still refused to believe that any further trouble was ahead. Business throughout the country continued at high pressure; railroad earnings were large, and industries were booming; the new crop outlook was favorable; and while money rates were high, there seemed to be enough at the moment to go round. Even the big "masters of capital," although following a more cautious policy, seemed to think that the worst was over. Nearly everybody said, "Wall Street has now cleaned house; we will soon be in a bigger boom than ever." All seemed to base their reasoning on the idea that, with industry and business going on prosperously, any further trouble in Wall Street was unthinkable.

After the 1st of July, however, there were developments which created disquietude in high places. The United States Steel Corporation reported an alarming falling off in unfilled tonnage; railroad earnings suddenly began to sag; then the money market tightened up, and the fear became widespread that the fast approaching crop-moving period would create a great money stringency. Presently came the collapse of Charles W. Morse's shipping combination. Then, to cap the climax, came the failure of the City of New York to sell a large block of bonds in Wall Street. Altogether August was an uneasy month for the "masters of capital" and for their thousands of satellites and followers.

September saw the heads of big business often in consultation; the powers were at last awake to the seriousness of the situation. The newspapers were urged to talk encouragingly; Wall Street interviews were uniformly optimistic. Clearly, strenuous efforts were being made to tide over the crisis. But to no avail. In October came the Heinze failure, involving first the Mercantile National Bank and then the whole Heinze-Morse chain of banks. Next occurred the run on the Knickerbocker Trust Company, the suicide of

its president, and the closing of its doors. Then followed in quick succession the failure of the National Bank of North America and runs on the Trust Company of America, the Lincoln Trust Company, and a dozen other institutions. All these disasters involved banks in other cities and pulled down private firms and brokers. The accompanying panic in the stock market completed the havoc. The holocaust was on.

The small group of mighty financiers — the men who had been chiefly responsible for the building up of the great concentrated system of banking power, corporate control, community of interests, and interlocking relationships, all of which had finally culminated in this terrific smash — these were the men whose powers were now to be taxed to save financial America. The morning after the Knickerbocker smash, while the run on the Trust Company of America was filling all Wall Street with crowds of excited depositors, a man walked into the office of J. P. Morgan and Company, pushed past the guard, and entered Morgan's private room. Morgan nodded and said, "Good morning, Mr. Frick." The two men talked quietly for perhaps ten minutes. Frick went away; then Edward H. Harriman came in. Following him came other "masters,"

one by one or in pairs. Finally came James Stillman, president of the National City Bank and spokesman for the great Standard Oil interests.

That day many millions of dollars were doled out to the banks by the Secretary of the Treasury; government bonds were supplied by institutions and private investors for temporary use, John D. Rockefeller alone lending ten million dollars' worth. Then both Morgan and Stillman made arrangements to buy bills of exchange in enormous quantities, and force gold shipments from Europe. These measures began the relief which the situation needed.

Yet one of the gravest dangers remained. This was the position of the brokerage firm of Moore and Schley, involved in a big speculative pool in the stock of the Tennessee Coal, Iron and Railroad Company. Moore and Schley had pledged over six millions of the Tennessee Coal and Iron stock for loans among the Wall Street banks. The banks had called the loans, and the firm could not pay, as was of course known to Morgan and the others. If Moore and Schley should fail, a hundred more failures would follow and then all Wall Street might go to pieces. The only thing to do was to save Moore and Schley.

The Tennessee Coal, Iron and Railroad Company was one of the chief competitors of United States Steel and it owned enormously valuable iron and coal deposits. It was Morgan's plan, in which Frick, Harriman, and the others agreed, to buy the Tennessee stock from Moore and Schley. In this way the panic could be stayed and a big stroke of good business done for the greater corporation. Gary was called in to discuss the matter. The only obstacle seemed to be the Government. Would a purchase of this kind be construed as a violation of the Sherman Act? A deputation, consisting of Gary, Perkins, and others, was dispatched to Washington to lay the matter before President Roosevelt. The President promised immunity and the purchase was then immediately consummated. The United States Steel Corporation paid thirty million dollars in its own bonds for the Tennessee stock; these bonds were accepted as collateral by the bank where the Tennessee stock had been refused; and the firm of Moore and Schley was saved. The announcement had an immediate effect, and from that hour matters began to mend.

Before the turn of the new year, Wall Street was normal again. The prices of securities had rallied substantially, the money market had grown much

easier, fear and fright had disappeared, and men were looking forward with confidence into the future. And, as the year 1908 wore on, it became evident that the panic marked the culmination of "high finance." The great banking groups were still intact, to be sure, and their influence and power seemed as far-reaching as ever. But the glamour of speculation and promotion had largely disappeared. The shock of the panic had put conservatism into the survivors and of course a great horde of speculators had fallen.

Yet there was still rivalry between Harriman and Morgan. In the fall of 1908 Harriman induced the Mutual Life Insurance Company to sell him half of the working control of the great Guaranty Trust Company, with its one hundred million of assets. And in the early part of the following year Harriman obtained an option on a half interest in the control of the Equitable Life Assurance Society. Harriman evidently proposed to form a banking power greater even than that of the National City Bank or of the Morgans, as a part of a colossal scheme which he was developing. The control of the Union Pacific system, the greatest railroad system on the American continent — for the Union Pacific at that time controlled two

lines to the Atlantic seaboard — did not satisfy this man's ambition. He was working for a world railroad empire. Before the panic year Harriman had made his control of the Baltimore and Ohio practically secure. During the dark days of the panic he had taken over from Charles W. Morse the stock of the Central of Georgia and had made this railroad a subsidiary of the Illinois Central. Now he was planning a railroad system in Asia which would connect with the Siberian Railway in Russia and finally work through to the capitals of Europe. He had already secured an option on the South Manchurian Railway in China and was endeavoring to obtain the coöperation and backing of the Japanese Government to further his plans.

Had Harriman lived, no one knows what might have occurred in railroad history during the following few years. But he was playing a very difficult game and the strain was beginning to tell on him. In the summer of 1909 he was taken seriously ill and died in the early fall. The death of Harriman caused an almost immediate change in the banking situation in New York. Within three months Morgan and his associates had bought Harriman's stock in the Guaranty Trust Company and with it the holdings of the Mutual Life Insurance Company.

Later Morgan acquired from Thomas F. Ryan control of the Equitable Life Assurance Society, which had fallen into Ryan's hands in 1905. Thus we find Morgan in practical control of the "Big Three" in life insurance in New York, for he had already dominated the New York Life for many years. He then merged the Morton and the Fifth Avenue Trust companies into the Guaranty and this union gave him and his associates a dominating position among the trust companies of New York, since he already controlled the powerful and growing Bankers Trust Company, which had been formed a few years before. These moves also resulted in giving him a closer grip on the affairs of the National Bank of Commerce.

This growth of the Morgan banking power did not, however, excite any spirit of competition or rivalry between his interests and those of Standard Oil, for the time had passed when rivalry in banking was the fashion. Before long it could be said, indeed, that two rival banking groups no longer existed, but that one vast and harmonious banking power had taken their place.

Harriman was now dead; Henry H. Rogers was dead; Alexander J. Cassatt, the great Pennsylvania Railroad president, was dead; James Stillman

had retired from active business; William Rockefeller was no longer an active business promoter. Times were changing and new men were coming to the front. Frank A. Vanderlip, the young head of the National City Bank, was becoming more and more the spokesman for the Rockefeller interests; George W. Perkins was still active with the Morgans, but the strong personality of Henry P. Davison was beginning to dominate the firm. Though Morgan himself remained in command until his death in 1913, he was clearly growing old and was placing more and more responsibility on his younger partners.

These newer men in Wall Street were not the products of the old time, when experience was gained by building up and welding together the parts of the vast modern industrial and banking machine. They had not been educated in the hard and struggling school for mastery through which Morgan and Frick and Harriman and Rockefeller had come. When they arrived, they found the financial machine already in motion; their work was to perfect it and keep it well oiled. Consequently, with the arrival of the new and younger school of financiers, a less spectacular season set in for Wall Street. Money power increased; intercorporate

relationships were maintained; but few further steps were taken in elaborating or developing the system.

Long before the panic of 1907, political rumblings had reached the ears of Wall Street. In President Roosevelt's first term, the Sherman Act had been invoked against the Northern Securities Company, and that gigantic product of the spirit of consolidation had been dissolved by decree of court. A little later, new powers were given to the Interstate Commerce Commission over the operation of the railroads, and for the first time the Commission was fully empowered to regulate freight rates. The New York insurance investigation under Charles E. Hughes, with its astonishing disclosures, had shown growing public aversion to the methods of "high finance."

The panic, with its accompanying disasters, had a large share in prompting the Government at Washington to take action against the trusts; and before Roosevelt left the White House in 1909 suits had been brought against a large number of industrial trusts, including Standard Oil and Tobacco. Later, suits were instituted against the Steel Trust, the Harvester Trust, and a great many others. When Taft became President in 1909,

many of the big combinations formed during the previous decade were practically under indictment. In 1911 the Supreme Court ordered the dissolution of Standard Oil and Tobacco and of a large number of smaller trusts as well. These decisions brought about radical changes in the character of the corporations. The original subsidiary companies were obliged to take over the properties under nominally competitive conditions. Such dissolutions proved in the end, however, to be mere changes of form, for the various companies involved continued to be owned, controlled, and managed by practically the same men, with little if any real competition.

Later a drive against the railroads began in the same way; the Union Pacific was forced to disgorge its interest in the Southern Pacific Company, and the Pennsylvania disposed of its control in its competitor, the Baltimore and Ohio. The new federal laws regulating freight rates made the "community of interest" plan of interlocking control of little use, so that the different railroads began liquidating their interest in other properties to a large extent. Within a few years, the ties binding together the big trunk lines and larger systems were steadily loosened. And finally, Federal statutes

prohibiting interlocking directorates, not only among competing railroad systems, but among banks and industrial concerns, completed the process of "unscrambling the eggs." Before the Great War opened, the long chapter of "high finance," as understood during the wild and dramatic days of 1901 to 1906, had practically closed.

CHAPTER IX

WALL STREET AND THE WORLD WAR

War is the great revealer; it demonstrates, as does nothing else, the strength and weakness of a nation, material and spiritual. The first two years of the recent stupendous struggle disclosed the financial and industrial greatness of the United States; the last two years happily showed that the nation was great in other things than money, munitions, and food. Yet it became apparent, even in the days of American neutrality, that the support of American agriculture and industry was practically indispensable to the allied cause. America possessed the largest available supply of that copper, steel, cotton, and food without which the armies of the Entente would have struggled in vain. Wall Street became, at least temporarily, the international money market; more than a third of all the gold in the world soon found its way to New York; and the United States which, since the Revolution, had

been a debtor nation, soon discovered that Europe owed her far more money than she had ever owed Europe. The mere fact that, in 1916, the United States produced 43,000,000 tons of steel, while Great Britain, which normally ranks next to this country in steel manufacture, produced 9,000,000 tons, not only indicates the extent to which American industry had expanded under the pressure of war, but gives some indication of the part which it was playing on European battlefields. Thus, long before American armies gave Marshal Foch that superiority in men which turned the balance from defeat to victory, American mines, American steel mills, American farms, and American money had become powerful elements in the war.

Wall Street awoke rather slowly to its new position as a maker of history. Its first reaction to the European nightmare was one of bewilderment and panic. In this it merely reflected the mental state of the European bourses of which it had been a dependent for many years. The hardest headed American business man had difficulty in keeping his poise when all the Stock Exchanges of Europe had closed their doors and when the news ticker reported a run upon the Bank of England. Wall Street had never faced such a crisis as that which

dawned on the morning of August 3, 1914. Only once in its history of more than a hundred years had this great market suspended operations, and then only for a few days during the panic of 1873. But the conditions facing it in August, 1914, were unparalleled. The Kaiser's ultimatums to Russia and France, making war inevitable, caused European investors to rush their securities to the London stock market, which averted a panic only by closing. Since all the important markets of Europe and South America followed the London example, there remained only one place in the world where stocks could be sold — New York. At that time European investors, for the larger part British, held at least $4,000,000,000 of American securities. There was not the slightest question that they would attempt to dispose of these on almost any terms. There are experts now who believe that the American market could then have stood this strain, but there were few who entertained such encouraging ideas in August, 1914. The prevailing opinion then was that all American securities would suffer such declines that a general calling of bank loans would result and that the country would be visited with the greatest financial and industrial panic in its history. While the New

York Stock Exchange closed on July 31, 1914, Wall Street was kept in suspense for twenty-four hours. On Monday morning, the 3d of August, the usual aggregation of brokers, most of them in a high state of excitement, gathered on the floor. The gong which announces the beginning of business rings promptly at ten o'clock: the employee whose business it is to ring it stood at his post. As the pointer on the clock passed fifteen minutes to ten and started towards the fatal hour, the nervous tension increased. The excited members all had vast quantities of stocks which they had been ordered to sell, and they trembled at what would happen when they threw these on the market. It was not until five minutes to ten that an officer of the Exchange stepped upon the floor and read the official notice that the market would be closed indefinitely. The cheer that went up eloquently voiced the relief which this step brought to a chaotic situation.

This closing indicated that the United States was still the financial dependent of Europe. The Exchange remained closed four months; then, on the 28th of November, it timidly opened its doors and began trading again in restricted fashion. Externally the position of Wall Street in November

seemed to have changed little from its position in August. The great European exchanges were still closed; thus New York became the one market on which European holdings could be "dumped." Europe still held vast quantities of American securities on which it might be expected to realize. Yet, when the American market opened, something quite extraordinary took place. Europe, as was expected, began to sell American securities in large amounts, but stocks on Wall Street did not decline; instead, they advanced. The reopening of the Stock Exchange really started one of the most sensational stock "booms" in the history of that institution. Instead of having a panic on its hands, as many had freely predicted, Wall Street discovered that it had a bull market of unprecedented buoyancy. The real fact was that, in the intervening four months, the financial prestige of the United States had been enormously enhanced. Alone of all the great markets of the world Wall Street had not had to resort to the expedients that commonly accompany panic conditions. All European countries, including such a financial giant as Great Britain, had declared a moratorium, or a temporary suspension of the legal obligation to pay debts, and most South American

countries had resorted to the same expedient. No moratorium had been declared in the United States. Practically all European countries, even including England, resorted to various currency expedients that amounted practically to inflation. The United States resorted to no such unscientific expedients as it had tried in the Civil War but met the demands of the hour by supplying an elastic emergency currency under the terms of the new Federal Reserve Act.[1] But certain developments even more fundamental showed that this prosperity was not fictitious. When war broke out, the United States was harvesting the greatest wheat crop in its history, and at the same time the other great wheat countries were showing a smaller production. The closing of the Dardanelles kept Russia's wheat from reaching its market. All the world now began to bid for America's food supply, a demand immediately evidenced in the startling increase in our export statistics. Meanwhile the allied nations began scouring the United States for all kinds of war supplies. They found little in the way of guns or ammunition, but they did find industrial plants

[1] Congress still further facilitated the issue of emergency currency by amending the Federal Reserve Act. At the same time clearing-house associations in the larger cities arranged for the issuing of certificates.

far greater than those of any other country which could be very soon transformed into huge ammunition factories. War orders for all kinds of munitions started these plants going twenty-four hours a day, while orders for clothing and other indispensable materials of war put new life into such great industrial regions as New England. The result was a huge balance of trade in favor of the United States. The gold supply of Europe began to find its way into the coffers of Wall Street, a movement that was continuous until 1917, when, of the approximately $8,500,000,000 outstanding, nearly $3,000,000,000 was ultimately deposited in American safety vaults.

In the early days of the war England had practically abdicated, for the time being, the position of international banker which she had held for a hundred years. In a single year Lombard Street, up to the cataclysm of 1914, had invested over a billion dollars in new securities, domestic and foreign. Lombard Street had largely financed the building of American railroads, had contributed greatly to the financing of American enterprises of all kinds, had been a large purchaser of government and municipal bonds, not only in the United States, but in South American countries. That

familiar annual phenomenon in the United States, known as "moving the crops," had been made possible for many years with credits supplied by England. But in the early part of 1915, the British Government vetoed all operations of this kind and informed the bankers that their resources must be used exclusively for war purposes. What market could thus step into the position of international banker which England by government fiat had surrendered? Two years before, any suggestion that Wall Street could do this would have been regarded as absurd; yet the American market adjusted itself to this position with comparative ease. It not only supplied home demands for ready money, but began making loans aggregating hundreds of millions to Canada, Switzerland, Norway, Sweden, and the South American republics. Wall Street bought the bond issues of Paris, Bordeaux, and Lyons, and even provided funds for international trade. Soon it had to meet new demands.

Up to 1914, Wall Street had played little part in financing foreign governments, its activities in this direction being limited almost to lending Great Britain $200,000,000 at the time of the South African War and Japan $50,000,000 at the time

of the Russian War. But as the war orders of the Allies began flooding our markets, Great Britain and France attempted to pay for their purchases with cash, an expedient which drove British exchange up to a point which it had never reached in the history of the New York market. It soon became evident that, if the United States was to do business with the Allies on this huge scale, some other method must be adopted for settling the account. What this method should be was clear. Great Britain had built up her foreign trade largely by lending to her customers the money with which they purchased the goods. It was evident that we should have to do the same thing. The simplest way for the British and French Governments to establish credits in the United States with which to pay for war supplies would be to sell their bonds in our markets. The money obtained from sales, when deposited in American banks, could then be drawn upon for settlements. Simple as this device might seem in theory, it involved what seemed in 1915 to be insuperable difficulties. American investors had never shown any great eagerness to purchase government securities, excepting their own. There really existed no public market for such investments, in the sense that such a market had for so

long existed in England, France, and other countries. Some of our supersensitive government officials at first believed that such an operation would be a violation of neutrality and a considerable pro-German element lifted up their voices in protest. There were others who questioned the soundness of the investment: the war threatened world-wide bankruptcy, and there was a fear that even so powerful a nation as Great Britain might not be able to pay her obligations. Nevertheless, in the latter part of 1915, a distinguished Anglo-French mission arrived in New York for the purpose of floating an American loan. The sum suggested, $1,000,000,000, staggered Wall Street; no Government had ever floated a foreign loan of such proportions. In accordance with the advice of American bankers the amount was cut to $500,000,000, and this was disposed of successfully. From now on, all the purchases of the British and French were paid for in this way. After this credit was exhausted, these Governments continued to borrow in Wall Street, usually pledging American securities.

Not only did England and France pay for their supplies with money furnished by Wall Street, but they made their purchases through the same medium. As related in a previous chapter, the house

of Morgan has always maintained close and confidential relations with the British Government and the British public. The necessity of buying materials by the billions in the United States soon produced a state of chaos in London. Contract hunters and contract jobbers pounced upon the British War Office; all kinds of irresponsible persons, American and European, obtained contracts for speculative purposes. Unless disaster was to result, it was evidently necessary to select some trustworthy agency in this country which could be depended upon to mobilize American industry, place the European orders in the right quarters, and attend to all the details. Inevitably the house of Morgan was selected for this important task. Thus the war had given Wall Street an entirely new rôle. Hitherto it has been exclusively the headquarters of finance; now it became the greatest industrial mart the world had ever known. In addition to selling stocks and bonds, financing railroads, and performing the other tasks of a great banking center, Wall Street began to deal in shells, cannon, submarines, blankets, clothing, shoes, canned meats, wheat, and the thousands of other articles needed for the prosecution of a great war. This new function brought to the front an American

business man who had hitherto been practically unknown. In looking for the man best qualified to conduct this purchasing campaign the Morgan firm discovered Edward R. Stettinius, the president of the Diamond Match Company. Stettinius in turn searched American industry for the men best qualified to assist him in his gigantic task, with the result that he got together a force of 175, who organized themselves into a department known humorously as the "S.O.S." — or "Slaves of Stettinius." In a short time this group found themselves purchasing supplies at the rate of $10,000,000 a day. To a considerable extent the materials in which this agency dealt had never been made in the United States before, at least in appreciable quantities. They had to extend on a tremendous scale such munitions factories as already existed and to construct hundreds of entirely new plants. American industry adapted itself to the new demands speedily and satisfactorily, and many concerns which had never made munitions of any kind were soon turning them out in perfect shape. So successfully was the work done that up to September, 1917, the Morgan firm had bought more than $3,000,000,000 in merchandise and munitions and had, besides this,

marketed from $2,000,000,000 to $3,000,000,000 of American securities which had formerly been held by European investors.

With one American captain of industry the British Government dealt directly. He was a man whose name has already figured in this narrative. Indeed, next to J. Pierpont Morgan, the American business man who was best known in England was Charles M. Schwab. England understood even better than Americans the proportions of the Bethlehem Steel Company and the manufacturing genius of its head. When Kitchener became Minister of War, one of his first acts was to cable Schwab asking him to take the next boat for England. In a few days Schwab and Kitchener were closeted at the British War Office. The Secretary's demands were to the point. How many shells could Schwab supply? A million? Yes. How long would it take him? Ten months. Could Schwab furnish any guns? Yes, and quickly. In this way Kitchener rehearsed all his requirements and Schwab pledged all the capacity of the Bethlehem Steel plant. At the end of several days' conferences Kitchener approached a delicate point. He had only one anxiety about the Bethlehem Company, he said, and that was that German interests might purchase it.

Schwab immediately offered to sign an agreement that the Bethlehem Company would not be sold to any one so long as it had any British contracts under way. And so this American manufacturer with the German name became one of the strongest industrial allies of the British Government. According to the popular estimate he shipped not far from $300,000,000 worth of war materials to England in less than two years. To do this he so increased his facilities that the Bethlehem Company presently became a larger munitions plant than the Krupps, and Schwab's shipyards alone had a capacity for turning out a larger tonnage than all the shipyards in Germany. One of his particularly interesting feats was the manufacture of twenty submarines, which were sent in parts to Canada, where they were pieced together and sent across the Atlantic under their own power. A year or so afterward Germany sent the submarine *Deutschland* to the United States and widely advertised the performance as something unprecedented!

Valuable as all this work was in promoting the cause of the Allies, it had one result that was still more important. For it prepared financial America for war. When Congress declared war on April 6, 1917, America, as a nation, had made little

preparation for participating in the great conflict. We had an army only in skeleton; we had a navy efficient in its personnel and in its ships but entirely inadequate for the crisis; we had hardly any mercantile marine. In only one part of the United States had there been any real preparedness, and that was the part which had for decades been perhaps the most unpopular section of the country. From August, 1914, Wall Street had displayed an attitude that compares well with those elements in American life which had viciously assailed business and industry. With the exception of one or two Jewish-German banking houses, its sympathies had been enthusiastically with the Allies. And the part which it had played in financing the Allies laid the foundations for the work it did in the American period of participation. The outbreak in 1914 had produced the wildest chaos in European business and finance: stocks had tumbled, money rates had gone up, industry had ceased as though stricken with paralysis, and general dissolution had been prevented only, as we have seen, by resorting to a moratorium. But no such demoralization seized Wall Street when the United States declared war. Instead of falling, the stock market advanced — a movement generally hailed

as a fair augury of victory. Never had America attained so sound and so preëminent a financial position. In two years we had ceased to be a debtor nation and now had Europe deeply in our debt. We had lent foreign Governments, bankers, and merchants not far from $2,000,000,000; yet so plentiful was money in New York that the investment bankers complained because they could not find enough securities to supply their customers. Of the $4,000,000,000 American securities estimated to have been held in England and France in 1914, we had purchased all but $1,000,000,000, and of this $300,000,000 had been pledged by the British and French Governments as securities for loans, while the remaining $700,000,000 lay in the government exchequers for similar use as occasion should arise. Thus there was no longer any danger that these stocks and bonds would be suddenly unloaded on the American market with disastrous results. At the beginning of the war our gold holdings amounted to $1,887,000,000, while by December 1, 1917, they had grown to $2,563,000,000. Moreover, there was no likelihood that Europe could draw this away.

In recommending a declaration of war, President Wilson said that we should extend to the allied

powers "the most liberal financial credits, in order that our own resources may so far as possible be added to theirs." At first it was thought that perhaps our chief help to the Allies would be financial and industrial. There were Germans, more enlightened than the Prussian militarists and diplomats, who did not regard such assistance with indifference. "We are mad," said Albert Ballin, the creator of the German mercantile marine, in 1917; "we have done a disastrous thing, a thing which will throw its shadow over our economic life for a generation. How are we to resume our foreign trade in the face of an Anglo-Saxondom which loathes and must loathe our presence among them? All the military victories and all the wild will-of-the-wisps about Hamburg to Bagdad will not help us."

"Almost uncanny" was the comment of a London observer on the quiet with which Wall Street accepted the declaration of war. But events had not progressed far when it became apparent that this attitude was justified.

The way in which America's entrance first tangibly affected the situation was that she immediately took over the burden which Great Britain had been carrying of financing the Allies. For

two and a half years Great Britain had not only met her own expenditures, but had made advances on a huge scale to France, Italy, Russia, Belgium, Serbia, and the other Entente combatants. The United States not only assumed these responsibilities, but began advancing enormous sums to Great Britain herself. These were not subsidies, such as Pitt had given to England's allies in the Napoleonic wars; they were loans. In reality, the United States placed its credit at the disposal of its fellow combatants. It sold its own bonds in the American market, advanced the money so obtained to the European powers, taking in exchange their bonds at the same rate of interest. The practical outcome of the operation was to save England, France, and the other borrowers great sums in interest. The several acts authorizing American bond issues contained provisions empowering the Treasury Department to make these loans to foreign governments; yet probably few imagined in April, 1917, that these advances would ever be so large. The mere fact that the United States, besides spending enormous sums on its own military preparations, was able to lend nearly $10,000,000,000 to European Governments in little less than two years, gives some idea of the resources

which this country brought to bear in the European conflict. Despite these almost unimaginable expenditures, the nation, judging from all external signs, was suffering no discomforts, hardly any inconveniences, and there were no indications that the people could not withstand the strain indefinitely.

The fact was that financial America in 1919 was an entirely different nation from that of 1914. The successive bond issues had transformed us into a nation of investors. Despite the power which American finance had developed in the period of neutrality, there were many pessimists in 1917 who declared that the first popular Liberty Loan for $2,000,000,000 could never succeed. The American people, it was urged, were not thrifty; they had not developed the habit of purchasing government securities; floating bond issues in the United States had always been almost exclusively a banking undertaking. This statement was not quite historically correct. Indeed, the methods of popular subscription which had proved so successful in England were largely an American invention. The first man who used somewhat spectacular methods for selling government bonds to small holders was Jay Cooke, the great financier of the

Civil War. Cooke's most remarkable feat — perhaps the most remarkable of the kind until the outbreak of the European War — was his success in selling nearly $400,000,000 of the five-twenty bonds of 1863. In order to market this — as described in a preceding chapter — Cooke enlisted a force of from two thousand to three thousand canvassers, who visited all the towns and country districts of the United States and made personal solicitations from door to door, using handbills, posters, brass bands, and parades for advertising purposes. Energetic as Jay Cooke was, however, it required a persistent campaign of this kind finally to sell the issue; moreover, the bonds brought considerably less than par and the interest rate — six per cent — was high. This achievement had entirely passed out of the public mind by 1917, when the Secretary of the Treasury began raising $2,000,000,000 by similarly intensive methods. At first the gloomy prognostications of those who foretold failure seemed justified. Washington made the mistake of announcing that the public was rapidly oversubscribing the bonds, an announcement that naturally somewhat cooled popular enthusiasm. The financial houses of Wall Street, however, presently abandoned routine busi-

ness and placed all their machinery behind the loan. In the last few days the subscriptions came in at a tremendous rate, the result being that the public which had been asked for $2,000,000,000 offered the Government over $3,000,000,000. The succeeding loans, for rapidly increasing amounts, were likewise phenomenally successful, the climax coming in November, 1918, on the eve of the armistice, when the American people, as the result of a three weeks' campaign, subscribed nearly $7,000,000,000 in a single issue. This is the largest loan which history records.

The united efforts of the whole American people, ranging all the way from the great Wall Street banking houses to vaudeville performers, made these loans successful. They indicated that Wall Street was no longer a circumscribed geographical district, but that — assuming that the phrase comprehends the financial resources of the United States — it included every town, every farm, every crossroads in the country. One of the most satisfactory by-products of the war, indeed, was the fact that it brought together many elements in our national life that had hitherto worked at cross purposes. It even diminished somewhat the widespread unpopularity of Wall Street. That the

money power in the United States has many sins to answer for no rational person denies; happily for the forces of great wealth, the war gave them an opportunity to show that they, too, were American first of all and that they placed the prestige and dignity of their country above all personal sordid considerations. Only a few transparent demagogues and pro-Germans raised the cry that the struggle was "Wall Street's War." The Washington Administration at first showed some suspicion of the "interests," and for a time it attempted to reorganize its departments and prepare for the great struggle without the assistance of Big Business. This unfriendly disposition proved almost disastrous to the cause. It showed most conspicuously in the matter of building ships and airplanes — two things which seemed to be absolutely indispensable to success. Both these departments for a year were conducted by men who were entirely inadequate to the task. England had undergone a similar experience in the early days; she, too, when the war started, had found that all her big departments were headed by politicians, men who had little training in practical life and who were thus incompetent to transact that greatest of all modern enterprises — war. Gradually

Great Britain weeded out these men, replacing them for the most part by business leaders. Ultimately President Wilson adopted the same view. Strangely enough, one of the first appointees to go from Wall Street to an important Washington post belonged to precisely the class which had incurred the President's distrust. Bernard Baruch all his life had been primarily a Wall Street operator — a very successful one, it is true, but a man who had had absolutely no business training in the "constructive" sense. Even Wall Street itself gasped when it learned that the President had made Baruch the head of the War Industries Board, and, as such, the man who would do most of the purchasing in this country for the United States and the Allies. It is an evidence of the flexibility of the Wall Street temperament that Baruch, despite his lack of practical experience, made a success of his job. When the war ended, this official was buying war materials at the rate of $10,000,000,000 a year and was unquestionably the greatest "buyer" the world has ever known.

Wilson's other two conspicuous appointments from Wall Street at first aroused great approval. After the collapse of the aircraft programme, he placed in charge of this work John D. Ryan,

president of the Anaconda Copper Mining Company. The result was the immediate revitalizing of the department, although the war ended before Ryan had a chance to demonstrate his complete success. But perhaps the Wall Street man who scored the greatest triumph was Charles M. Schwab. Wilson experimented disastrously for more than a year with the Shipping Board, the repeated failures of which almost disheartened the American people and their allies. All this time there was one man, and one man only, ideally fitted for the task. Finally Wilson sent for the head of the Bethlehem Steel Company. At first Schwab said that it would be utterly impossible for him to undertake the work. Being pressed for an explanation, he declared that he was no politician; the drastic reorganization he would insist on making would be extremely unpopular. The President immediately told him that he should have an absolutely free hand and that he would be required to do only one thing — build ships. Schwab still hesitated; the first step he should take, he informed the President, would be to move the head offices of the Shipping Board from Washington to Philadelphia. "You can move them to Kalamazoo," the President is

reported to have answered, "if by doing so you can build ships." This very satisfactory attitude persuaded Schwab to take charge, which he did with his characteristic enthusiasm and energy, and soon the vessels began to leave the ways in great numbers. It is hardly too much to say that Schwab's appointment sealed the fate of submarine warfare.

Thus Wall Street emerged from the war with greatly enhanced prestige. Without the financial support which it placed at the Government's disposal, without the mammoth industrial organization which America had developed since 1865, the United States would have counted for little in the struggle.

APPENDIX

EXTRACTS FROM CHAPTER THREE OF THE REPORT OF THE COMMITTEE APPOINTED PURSUANT TO HOUSE RESOLUTIONS 429 AND 504 TO INVESTIGATE THE CONCENTRATION OF CONTROL OF MONEY AND CREDIT (HOUSE REPORT NO. 1593, 62D CONGRESS, 3D SESSION, 1913)

Section 3 — Processes of Concentration

This increased concentration of control of money and credit has been effected principally as follows:

First, through consolidations of competitive or potentially competitive banks and trust companies, which consolidations in turn have recently been brought under sympathetic management.

Second, through the same powerful interests becoming large stockholders in potentially competitive banks and trust companies. This is the simplest way of acquiring control, but since it requires the largest investment of capital, it is the least used, although the recent investments in that direction for that apparent purpose amount to tens of millions of dollars in present market values.

Third, through the confederation of potentially competitive banks and trust companies by means of the system of interlocking directorates.

Fourth, through the influence which the more power-

ful banking houses, banks, and trust companies have secured in the management of insurance companies, railroads, producing and trading corporations, and public utility corporations, by means of stockholdings, voting trusts, fiscal agency contracts, or representation upon their boards of directors, or through supplying the money requirements of railway, industrial, and public utilities corporations and thereby being enabled to participate in the determination of their financial and business policies.

Fifth, through partnership or joint account arrangements between a few of the leading banking houses, banks, and trust companies in the purchase of security issues of the great interstate corporations, accompanied by understandings of recent growth — sometimes called "banking ethics" — which have had the effect of effectually destroying competition between such banking houses, banks, and trust companies in the struggle for business or in the purchase and sale of large issues of such securities.

Section 4 — Agents of Concentration

It is a fair deduction from the testimony that the most active agents in forwarding and bringing about the concentration of control of money and credit through one or another of the processes above described have been and are:

J. P. Morgan & Co.
First National Bank of New York.
National City Bank of New York.
Lee, Higginson & Co., of Boston and New York.
Kidder, Peabody & Co., of Boston and New York.
Kuhn, Loeb & Co.

. . . .

Section 11 — Interrelations of Members of the Group

Morgan & Co. and First National Bank. — Mr. Morgan, head of the firm of Morgan & Co., of New York, and Drexel & Co., of Philadelphia, and Mr. Baker, head officer and dominant power in the First National Bank since shortly after its organization, have been close friends and business associates from almost the time they began business. Mr. Morgan testifying as to their relations, said (p. 1034):

Q. You and Mr. Baker have been old and close friends and associates for many years, have you not?

A. For a great many years; yes.

Q. Almost since you began business?

A. Well, since 1873, at least.

Q. During that time your house has been of great aid to the First National Bank in building up their great prosperity and they have been of great aid to you?

A. I hope so.

Q. That is the fact, is it not?

A. That is the fact, I think.

Q. During that period you have made many purchases of securities jointly and many joint issues of securities, have you not?

A. Yes, sir.

Before becoming partners in Morgan & Co., Mr. Davison and Mr. Lamont, two of the most active members of the firm, were vice presidents of the First National Bank, and still remain directors.

Next to Mr. Baker, Morgan & Co. is the largest stockholder of the First National, owning 14,500 shares, making the combined holdings of Mr. Baker and his son and Morgan & Co. about 40,000 shares out of 100,000

outstanding — a joint investment, based on the market value, of $41,000,000 in this one institution.

Three of the Morgan partners — Mr. Morgan himself, Mr. Davison, and Mr. Lamont — are directors of the First National, and Mr. Morgan is a member of the executive committee of four, which has not, however, been active and has rarely met.

The First National has been associated with Morgan & Co. in the control of the Bankers Trust Co. As before stated, when the company was organized, its entire capital stock was vested in George W. Perkins, H. P. Davison, and Daniel G. Reid as voting trustees. Mr. Perkins was then a Morgan partner and Mr. Davison and Mr. Reid were, respectively, vice president and a large stockholder of the First National. Mr. Davison, who has since become a Morgan partner, and Mr. Reid have continued as such trustees. Mr. Perkins has been succeeded by the attorney of the company, who is also Mr. Davison's personal counsel. Mr. Davison and Mr. Lamont, of the Morgan firm, and Mr. Hine, president, Mr. Norton, vice president, and Mr. Hepburn, member of the executive committee of the First National, are codirectors of the Bankers Trust Co., Mr. Hine being also a member of its executive committee.

The First National likewise has been associated with Morgan & Co. in the control of the Guaranty Trust Co., Mr. Baker of the former being joined with Mr. Davison and Mr. Porter of the latter as voting trustees.

In the Astor Trust Co., controlled by Morgan & Co. through the Bankers Trust Co., Mr. Baker and Mr. Hine, chief officers of the First National, are directors.

In the Liberty National Bank, controlled by Morgan

& Co. through the Bankers Trust Co., Mr. Hine is also a director.

Since its organization in 1894, Mr. Morgan and Mr. Baker have been associated as voting trustees in the control of the Southern Railway, of which, also, Morgan & Co. and the First Security Co. are stockholders, and Mr. Steele of the former and George F. Baker, Jr., and H. C. Fahnestock of the First National are directors.

Mr. Morgan and Mr. Baker are also associated as voting trustees in the control of the Chicago Great Western Railway.

Mr. Morgan and Mr. Baker are further associated as directors and members of the executive committee of the New York Central Lines and as directors of the New York, New Haven & Hartford Railroad and the Pullman Co.

At Mr. Morgan's request, Mr. Baker became and has remained a director and member of the finance committee of the United States Steel Corporation, which, as previously shown, was organized and always has been dominated by the former. At the request of Mr. Perkins, who, as a partner in Morgan & Co., was active in organizing the International Harvester Co., Mr. Baker became a director of that company, resigning only recently.

Mr. Stotesbury, of Morgan & Co., and Mr. Baker are associated as voting trustees in the control of the William Cramp Ship & Engine Building Co.

In 1901 Mr. Baker and associates, coöperating with Mr. Morgan, transferred to Reading Co. a majority of the stock of the Central Railroad of New Jersey, thereby bringing under one control railroad systems transporting 33⅓ per cent of the anthracite coal moving from

the mines and coal companies owning or controlling 63 per cent of the entire anthracite deposits. (Baker, R., 1504, 1506, 1508.)

In the same year Mr. Baker coöperated with Mr. Morgan in transferring to the Northern Securities Co. controlling stock interests in the Northern Pacific and Great Northern Railways, competitive transcontinental systems.

One or more members of Morgan & Co. and one or more officers or directors of the First National are associated as codirectors in the following additional corporations, among others:

The Mutual Life Insurance Co. of New York;

The anthracite railroads, including the Reading, the Central of New Jersey, the Lehigh Valley, the Erie, the New York, Susquehanna & Western, and the New York, Ontario & Western;

The Northern Pacific Railway, in which also Mr. Steele, of Morgan & Co., and Mr. Baker, of the First National, are members of the executive committee;

Adams Express Co.;

American Telegraph & Telephone Co.; and

The Baldwin Locomotive Works.

But nothing demonstrates quite so clearly the close and continuing coöperation between Morgan & Co. and the First National Bank as their joint purchases and underwritings of corporate securities. Since 1903 they have purchased for their joint account, generally with other associates, 70 odd security issues of 30 different corporations, aggregating approximately $1,080,000,000. (Ex. 213, R., 1895; Ex. 235, R., 2127.) A complete statement of such joint transactions in securities will be found in a subsequent part of this report.

It is thus seen that through stockholdings, interlocking directors, partnership transactions, and other relations, Morgan & Co. and the First National Bank are locked together in a complete and enduring community of interest. Their relations in this regard are, indeed, a commonplace in the financial world. Thus, Mr. Schiff being asked whether he knew "the close relations between Messrs. Morgan and the First National Bank," replied "I do." (R., 1687.)

Morgan & Co., First National Bank, and National City Bank. — Mr. Stillman, as president, chairman of the board of directors and largest stockholder, for a long time has held a position of dominance in the National City Bank corresponding to Mr. Morgan's in his firm and Mr. Baker's in the First National Bank.

For many years while Morgan & Co. and the First National Bank were in close business union the National City Bank apparently occupied a position of independence. More recently, however, it has been drawn into the community of interest existing between the two first named, as is evidenced by a series of important transactions.

First. Within three or four years Morgan & Co. acquired $1,500,000 par value of the capital stock of the National City Bank, representing an investment at the stock's present market price of $6,000,000, and J. P. Morgan, Jr., became a director. (Morgan, R., 1036, 1075, 1076; Davison, R., 1879; Ex. 134-A.)

Second. In 1910 Mr. Morgan in conjunction with both Mr. Baker, his long-time associate, and Mr. Stillman, head of the National City Bank, purchased from Ryan and the Mr. Harriman estate $51,000, par value,

of the stock of the Equitable Life Assurance Society, paying therefor what Mr. Ryan originally paid with interest at 5 per cent — about $3,000,000 — the investment yielding less than one-eighth of 1 per cent. Mr. Stillman and Mr. Baker each agreed to take a one-fourth interest in the purchase if requested to do so by Mr. Morgan. No such request has yet been made by him.

No sufficient reason has been given for this transaction, nor does any suggest itself, unless it was the desire of these gentlemen to control the investment of the $504,000,000 of assets of this company, or the disposition of the bank and trust company stocks which it held and was compelled by law to sell within a stated time. Mr. Morgan was interrogated as follows on this subject (R., 1068, 1069, 1071):

Q. You may explain, if you care to, Mr. Morgan, why you bought from Messrs. Ryan and Harriman $51,000 par value of stock that paid only $3710 a year, for approximately $3,000,000, that could yield you only one-eighth or one-ninth of 1 per cent.

A. Because I thought it was a desirable thing for the situation to do that.

Q. That is very general, Mr. Morgan, when you speak of the situation. Was not that stock safe enough in Mr. Ryan's hands?

A. I suppose it was. I thought it was greatly improved by being in the hands of myself and these two gentlemen, provided I asked them to do so.

Q. How would that improve the situation over the situation that existed when Mr. Ryan and Mr. Harriman held the stock?

A. Mr. Ryan did not have it alone.

Q. Yes; but do you not know that Mr. Ryan originally bought it alone and Mr. Harriman insisted on having him give him half?

A. I thought if he could pay for it that price I could. I thought that was a fair price.

Q. You thought it was good business, did you?

A. Yes.

Q. You thought it was good business to buy a stock that paid only one-ninth or one-tenth of 1 per cent a year?

A. I thought so.

Q. The normal rate of interest that you can earn on money is about 5 per cent, is it not?

A. Not always; no.

Q. I say, ordinarily.

A. I am not talking about it as a question of money.

Q. The normal rate of interest would be from 4 to 5 per cent, ordinarily, would it not?

A. Well?

Q. Where is the good business, then, in buying a security that only pays one-ninth of 1 per cent?

A. Because I thought it was better there than it was where it was. That is all.

Q. Was anything the matter with it in the hands of Mr. Ryan?

A. Nothing.

Q. In what respect would it be better where it is than with him?

A. That is the way it struck me.

Q. Is that all you have to say about it?

A. That is all I have to say about it.

Q. You care to make no other explanation about it?

A. No.

. . . .

Q. I do not understand why you bought this company.

A. For the very reason that I thought it was the thing to do, as I said.

Q. But that does not explain anything.

A. That is the only reason I can give.

Q. It was the thing to do for whom?

A. That is the only reason I can give. That is the only reason I have, in other words. I am not trying to keep anything back, you understand.

Q. I understand. In other words, you have no reason at all?

A. That is the way you look at it. I think it is a very good reason.

Mr. Baker was asked the following questions (R., 1466, 1467, 1469, 1470, 1535):

Q. Coming, now, to this transaction of the Equitable Life. You remember when Mr. Morgan acquired the control from Messrs. Ryan and Harriman, do you not?

A. Yes, sir.

Q. When was it?

A. I could not tell you that date.

Q. It was in 1910, was it not.

A. If that is what you have in your record there, that is correct, I suppose.

Q. I think that is correct. Is that your recollection?

A. No; it is not my recollection; but it is on the record there.

Q. What is your recollection?

A. I know it was two or three years ago. That is all.

Q. At the time Mr. Morgan acquired the interest

in the Equitable, did he come with you?

A. Yes, sir.

Q. And with Mr. Stillman?

A. Yes.

. . . .

Q. . . . I want to ask you further concerning this Equitable Life transaction. Do I correctly understand that at the time Mr. Morgan made the purchase you and Mr. Stillman committed yourselves to take part of it?

A. That was done so informally ——

Q. (interrupting). Did you?

A. Yes; I will say we did.

Q. You were consulted before it was done and you agreed to take a part of it?

A. Yes.

Q. Then, following that, about a year later, you were asked to write this letter, were you not, confirming that arrangement?

A. Yes. Mr. J. P. Morgan, Jr., wrote me a letter and I put my initials at the bottom, saying it was so, or something of that kind.

. . . .

Q. Referring back, now, to the talk you say you had with Mr. Morgan and Mr. Stillman about the purchase of the Equitable stock; before it was purchased, what reason did Mr. Morgan give for wanting to take that stock from Mr. Ryan?

A. I can not remember that he gave any special reason, except that he thought it would be a good thing to be in his hands.

Q. When he said he thought it would be a good thing to be in his hands, rather than in the hands of Mr.

Ryan, what did you understand that to mean?

A. I did not understand that to mean much of anything. I did not take much interest in it.

Third, about a year later Mr. Stillman and Mr. Baker, pursuant to an understanding between them and J. P. Morgan & Co., purchased approximately one-half of the holdings of the Mutual and Equitable Life insurance companies in the stock of the National Bank of Commerce, amounting altogether to some 42,200 shares. Mr. Baker being a member of the finance committee of the Mutual, it was arranged that he should purchase the Equitable's stock — about 15,250 shares — and Mr. Stillman the Mutual's. Pursuant to the understanding, Mr. Stillman turned over 10,000 shares to Morgan & Co., who already owned 7000 shares. Mr. Baker kept 5000 shares, turned over 5000 to the First Security Co., and distributed the rest among various persons; 3000 shares were allotted by Mr. Stillman and Mr. Baker to Kuhn, Loeb & Co.

Mr. Baker testified as follows regarding this transaction (R., 1463, 1464):

Q. Was the purchase of that stock the result of an understanding between you and him and others?

A. Yes, sir.

Q. Who were the others?

A. Some of the people at Mr. Morgan's.

Q. Who?

A. I can not remember whether it was Mr. Morgan himself, or Jack — I mean Mr. J. P. Morgan, Jr. — or some others; I do not remember.

Q. Then the purchase altogether amounted to about 42,200 shares, did it not, from the two companies?

A. Yes.

Q. What arrangement was there as to the distribution of that stock; how it should be distributed between Messrs. Morgan and Stillman and yourself?

A. I can not remember that there was any in particular. I disposed of mine as I have told you, and that is as near as I can remember. I can account for the bulk of it.

Q. Was there or was there not talk about the distribution of that 42,200 shares?

A. There may have been, but I do not remember.

Q. You do not remember whether there was or not?

A. No, sir.

Q. And you can not tell what Messrs. Morgan & Co. agreed to take before the stock was bought?

A. I do not know whether they agreed to take any. I think Mr. Morgan took 10,000 shares, probably, from Mr. Stillman.

Q. Before you bought the stock between you, these three interests, was there not some understanding, and if so, what was it, as to the way it should be divided up?

A. Possibly there was, but I do not remember clearly enough to answer the question intelligently to you. I am willing to admit, if it is of any interest to the committee, that there was an understanding and that we were to take it for joint account.

Q. The committee would rather not have any admissions that do not agree with your recollection, if you have no recollection of it at all.

A. I have not a definite enough recollection to state under oath.

Q. Is it your impression that there was an understanding that it was purchased for joint account?

A. Yes.

Q. Between those three interests?

A. Yes; that it would be divided. I do not think they were for joint account.

The National City Bank, the First National, and Morgan & Co. now have two representatives each on the board of directors of the National Bank of Commerce — Mr. Vanderlip, president, and Mr. Simonson, vice president, of the first named; Mr. Baker, chairman of the board, and Mr. Hine, president of the second; and H. P. Davison and J. P. Morgan, Jr., of the last; whilst six of its finance committee of nine (it has no executive committee) consist of Mr. Vanderlip and Mr. Simonson of the National City Bank, Mr. Hine of the First National, Mr. Wiggin, president of the Chase National, which, as appeared above, has for some years been controlled by the First National, and Mr. Davison and Mr. J. P. Morgan, Jr., of J. P. Morgan & Co.

Fourth, during the same period in which occurred the three transactions just described — that is, within the last four years — the National City Bank, the First National, and Morgan & Co. (excluding issues in which there were other parties to the joint account) have purchased or underwritten in joint account thirty-six security issues (including the impending issue of the Interborough Rapid Transit Co.) amounting to $484,-456,000 and they, with other associates, thirty-one additional issues amounting to $548,027,000, making in all sixty-seven issues aggregating over $1,000,000,000 in which the First National, the National City Bank, and Morgan & Co. were joint purchasers or underwriters. Further, in the same period, the National

City Bank and Morgan & Co. and other associates, not including the First National, have purchased or underwritten in joint account twenty security issues aggregating $333,385,000. On the other hand, in the ten years prior to 1908 the National City Bank joined with Morgan & Co. in but one purchase or underwriting of securities and with the First National in not one.

The acquisition by Morgan & Co. of a large block of stock of the National City Bank with representation upon its board of directors, and the transactions that followed, in which those two institutions and the First National Bank were joined, as above set forth, show a unison of interest and a continuity of coöperation between the three such as for many years previously had existed between two of them — Morgan & Co. and the First National.

Combined power of Morgan & Co., the First National, and National City Banks. — In earlier pages of the report the power of these three great banks was separately set forth. It is now appropriate to consider their combined power as one group.

First, as regards banking resources:

The resources of Morgan & Co. are unknown; its deposits are $163,000,000. The resources of the First National Bank are $150,000,000 and those of its appendage, the First Security Co., at a very low estimate, $35,000,000. The resources of the National City Bank are $274,000,000; those of its appendage, the National City Co., are unknown, though the capital of the latter is alone $10,000,000. Thus, leaving out of account the very considerable part which is unknown, the institutions composing this group have resources of upward of

$632,000,000, aside from the vast individual resources of Messrs. Morgan, Baker, and Stillman.

Further, as heretofore shown, the members of this group, through stockholdings, voting trusts, interlocking directorates, and other relations, have become in some cases the absolutely dominant factor, in others the most important single factor, in the control of the following banks and trust companies in the city of New York:

(*a*) Bankers Trust Co., resources.....	$205,000,000
(*b*) Guaranty Trust Co., resources....	232,000,000
(*c*) Astor Trust Co., resources.......	27,000,000
(*d*) National Bank of Commerce, resources....................	190,000,000
(*e*) Liberty National Bank, resources.	29,000,000
(*f*) Chase National Bank, resources....	150,000,000
(*g*) Farmers Loan & Trust Co., resources.....................	135,000,000
in all, 7, with total resources of........	968,000,000
which, added to the known resources of members of the group themselves, makes..........................	$1,600,000,000
as the aggregate of known banking resources in the city of New York under their control or influence.	
If there be added also the resources of the Equitable Life Assurance Society controlled through stock ownership of J. P. Morgan.................	504,000,000
the amount becomes................	$2,104,000,000

Second, as regards the greater transportation systems.

(*a*) Adams Express Co.: Members of the group have two representatives in the directorate of this company.

(*b*) Anthracite coal carriers: With the exception of the Pennsylvania and the Delaware & Hudson, the Reading, the Central of New Jersey (a majority of whose

stock is owned by the Reading), the Lehigh Valley, the Delaware, Lackawanna & Western, the Erie (controlling the New York, Susquehanna & Western), and the New York, Ontario & Western, afford the only transportation outlets from the anthracite coal fields. As before stated, they transport 80 per cent of the output moving from the mines and own and control 88 per cent of the entire deposits. The Reading, as now organized, is the creation of a member of this banking group — Morgan & Co. One or more members of the group are stockholders in that system and have two representatives in its directorate; are stockholders of the Central of New Jersey and have four representatives in its directorate; are stockholders of the Lehigh Valley and have four representatives in its directorate; are stockholders of the Delaware, Lackawanna & Western and have nine representatives in its directorate; are stockholders of the Erie and have four representatives in its directorate; have two representatives in the directorate of the New York, Ontario & Western; and have purchased or marketed practically all security issues made by these railroads in recent years.

(*c*) Atchison, Topeka & Santa Fe Railway: One or more members of the group are stockholders and have two representatives in the directorate of the company; and since 1907 have purchased or procured the marketing of its security issues to the amount of $107,244,000.

(*d*) Chesapeake & Ohio Railway: Members of the group have two directors in common with this company, and since 1907, in association with others, have purchased or procured the marketing of its security issues to the amount of $85,000,000.

(*e*) Chicago Great Western Railway: Members of

the group absolutely control this system through a voting trust.

(*f*) Chicago, Milwaukee & St. Paul Railway: Members of the group have three directors or officers in common with this company, and since 1909, in association with others, have purchased or procured the marketing of its security issues to the amount of $112,000,000.

(*g*) Chicago & Northwestern Railway: Members of the group have three directors in common with this company, and since 1909, in association with others, have purchased or procured the marketing of its security issues to the amount of $31,250,000.

(*h*) Chicago, Rock Island & Pacific Railway: Members of the group have four directors in common with this company.

(*i*) Great Northern Railway: One or more members of the group are stockholders of and have marketed the only issue of bonds made by this company.

(*j*) International Mercantile Marine Co.: A member of the group organized this company, is a stockholder, dominates it through a voting trust, and markets its securities.

(*k*) New York Central Lines: One or more members of the group are stockholders and have four representatives in the directorate of the company, and since 1907 have purchased from or marketed for it and its principal subsidiaries security issues to the extent of $343,000,000, one member of the group being the company's sole fiscal agent.

(*l*) New York, New Haven & Hartford Railroad: One or more members of the group are stockholders and have three representatives in the directorate of the company, and since 1907 have purchased from or

marketed for it and its principal subsidiaries security issues in excess of $150,000,000, one member of the group being the company's sole fiscal agent.

(*m*) Northern Pacific Railway: One member of the group organized this company and is its fiscal agent, and one or more members are stockholders and have six representatives in its directorate and three in its executive committee.

(*n*) Southern Railway: Through a voting trust, members of the group have absolutely controlled this company since its reorganization in 1894.

(*o*) Southern Pacific Co.: Until its separation from the Union Pacific, lately ordered by the Supreme Court of the United States, members of the group had three directors in common with this company.

(*p*) Union Pacific Railroad: Members of the group have three directors in common with this company.

Third, as regards the greater producing and trading corporations.

(*a*) Amalgamated Copper Co.: One member of the group took part in the organization of the company, still has one leading director in common with it, and markets its securities.

(*b*) American Can Co.: Members of the group have two directors in common with this company.

(*c*) J. I. Case Threshing Machine Co.: The president of one member of the group is a voting trustee of this company and the group also has one representative in its directorate and markets its securities.

(*d*) William Cramp Ship & Engine Building Co.: Members of the group absolutely control this company through a voting trust.

(*e*) General Electric Co.: A member of the group was one of the organizers of the company, is a stockholder, and has always had two representatives in its directorate, and markets its securities.

(*f*) International Harvester Co.: A member of the group organized the company, named its directorate and the chairman of its finance committee, directed its management through a voting trust, is a stockholder, and markets its securities.

(*g*) Lackawanna Steel Co.: Members of the group have four directors in common with the company and, with associates, marketed its last issue of securities.

(*h*) Pullman Co.: The group has two representatives, Mr. Morgan and Mr. Baker, in the directorate of this company.

(*i*) United States Steel Corporation: A member of the group organized this company, named its directorate, and the chairman of its finance committee (which also has the powers of an executive committee) is its sole fiscal agent and a stockholder, and has always controlled its management.

Fourth, as regards the great public utility corporations.

(*a*) American Telephone & Telegraph Co.: One or more members of the group are stockholders, have three representatives in its directorate, and since 1906, with other associates, have marketed for it and its subsidiaries security issues in excess of $300,000,000.

(*b*) Chicago Elevated Railways: A member of the group has two officers or directors in common with the company, and in conjunction with others marketed for it in 1911 security issues amounting to $66,000,000.

(*c*) Consolidated Gas Co. of New York: Members

of the group control this company through majority representation on its directorate.

(*d*) Hudson & Manhattan Railroad: One or more members of the group marketed and have large interests in the securities of this company, though its debt is now being adjusted by Kuhn, Loeb & Co.

(*e*) Interborough Rapid Transit Co. of New York: A member of the group is the banker of this company, and the group has agreed to market its impending bond issue of $170,000,000.

(*f*) Philadelphia Rapid Transit Co.: Members of the group have two representatives in the directorate of this company.

(*g*) Western Union Telegraph Co.: Members of the group have seven representatives in the directorate of this company.

Summary of directorships held by these members of the group. — Exhibit 134-B . . . shows the combined directorships in the more important enterprises held by Morgan & Co., the First National Bank, the National City Bank, and the Bankers and Guaranty Trust Cos., which latter two, as previously shown, are absolutely controlled by Morgan & Co. through voting trusts. It appears there that firm members or directors of these institutions together hold:

One hundred and eighteen directorships in thirty-four banks and trust companies having total resources of $2,679,000,000 and total deposits of $1,983,000,000.

Thirty directorships in ten insurance companies having total assets of $2,293,000,000.

One hundred and five directorships in thirty-two transportation systems having a total capitalization of

$11,784,000,000 and a total mileage (excluding express companies and steamship lines) of 150,200.

Sixty-three directorships in twenty-four producing and trading corporations having a total capitalization of $3,339,000,000.

Twenty-five directorships in twelve public utility corporations having a total capitalization of $2,150,000,000.

In all, 341 directorships in 112 corporations having aggregate resources or capitalization of $22,245,000,000.

The members of the firm of J. P. Morgan & Co. hold seventy-two directorships in forty-seven of the greater corporations; George F. Baker, chairman of the board, F. L. Hine, president, and Georgc F. Baker, Jr., and C. D. Norton, vice presidents, of the First National Bank of New York hold forty-six directorships in thirty-seven of the greater corporations; and James Stillman, chairman of the board, Frank A. Vanderlip, president, and Samuel McRoberts, J. T. Talbert, W. A. Simonson, vice presidents, of the National City Bank of New York, hold thirty-two directorships in twenty-six of the greater corporations; making in all for these members of the group 150 directorships in 110 of the greater corporations.

The affiliations of these and other banking institutions with the larger railroad, industrial, and public utility corporations and banks, trust companies, and insurance companies of the United States, are shown in graphic form in two diagrams which are in evidence, and are attached to this report as Appendices F and G.

Relations between Morgan & Co., First National Bank, National City Bank, Lee Higginson & Co., Kidder, Peabody & Co., and Kuhn, Loeb & Co. — Besides the group

composed of Morgan & Co. and the First National Bank and the National City Bank, the principal banking agencies through which the greater corporate enterprises of the United States obtain capital for their operations are the international banking firms of Kuhn, Loeb & Co., of New York, and Kidder, Peabody & Co. and Lee Higginson & Co., of Boston and New York.

While it does not appear that these three last-named houses are affiliated with the group consisting of the first three in so definite and permanent a form of alliance as that existing between the latter, it is established that as issuing houses they do not as a rule act independently in purchasing security issues but rather in unison and coöperation with one or more members of that group, with the result that in the vastly important service of arranging credits for the great commercial enterprises of the country there is no competition or rivalry between those dominating that field, but virtually a monopoly, the terms of which the borrowing corporations must accept.

The full extent to which they participate in one another's issues does not appear, owing to the absence of data as to the names of underwriters, other than in strictly joint-account transactions of the issues of securities made by Messrs. Morgan & Co., Kuhn, Loeb & Co., the First National Bank, and the National City Bank. The distinction between the cases in which one of the banks or banking houses assumes the relation of an underwriter of an issue of securities made by one of the others and that in which they act in joint account is that in the former case underwriters do not share in the primary bankers' profit, but insure the former against loss, while in the case of a joint account they are part-

ners and as such share in the original risks and profits.

The course of business is for the house acquiring from a corporation the right of purchasing or underwriting an issue of its securities to offer participations in the purchase or underwriting to one or more of the associates named. Taking as an illustration the latest issue of the American Telephone & Telegraph Co., the method of procedure is thus described in the testimony of Mr. Schiff (R., 1664):

Q. And is there not an issue now in course of offer to the public of American Telephone & Telegraph bonds?

A. There is.

Q. Advertised in the last few days?

A. In course of offer to stockholders; not to the public.

Q. They are in course of offer to the stockholders and if the stockholders do not take them, are they then to be offered to the public?

A. Then the underwriting syndicate will have to take them, and whether they will offer them to the public or not I do not know.

Q. But it is an issue that is publicly offered to the stockholders?

A. It is going to be publicly offered to the stockholders.

Q. What is the amount of that issue?

A. I believe it is between $60,000,000 and $70,000,000.

Q. It is $67,000,000, is it not?

A. It may be $67,000,000; I do not recall.

Q. Is that a joint-account transaction between Morgan, Kidder, Peabody, and yourselves?

A. It is a joint account transaction between

Morgan's, First National Bank, the National City Bank, Kidder, Peabody & Co., and Baring Bros., and ourselves.

Q. Baring Bros., of London?

A. Yes.

Q. Take that as an illustration; who made the deal with the company?

A. I believe J. P. Morgan & Co.

Q. And they invited you to participate on joint account with these other houses?

A. They did.

. . . .

It was admitted by Mr. Davison, of Morgan & Co., and other bankers that the practice of banking houses becoming in effect partners in the purchasing and underwriting of securities instead of acting independently of one another is a development of recent years.

Mr. Davison testified as follows (R., 1854, 1855).

Q. Recently, within the last few years, many of the issues of J. P. Morgan & Co. have been made jointly with the First National Bank and the National City Bank, have they not?

A. Yes.

Q. And many with Lee-Higginson and with western bankers?

A. No; not very many with the western bankers. As a matter of fact, I recall very few with the western bankers. We have made them occasionally with Lee-Higginson and with other houses.

Q. You have made them very largely with Lee-Higginson?

A. It is comparative. I do not think we have, very largely.

Q. But your main joint-account transactions are with the City Bank and the First National Bank?

A. I think they have been.

Q. Is it not a fact that in previous years you made the issues largely alone, prior to five years ago?

A. I think more largely alone; yes, sir. They were smaller in character.

Q. Within what length of time has it been that J. P. Morgan & Co. have done most of their issuing business in joint account? Has it been within your time?

A. No; I think it was a little before my time.

Q. You think it started a little before your time?

A. I think it started a little before my time. In fact, the evidence shows that it did.

Mr. Schiff said (R., 1688):

Q. Don't you know that most of the Morgan issues in the past few years have been made jointly; that is, that the City Bank has participated in them with the First National?

A. I do.

Mr. Schiff is a director of the City Bank.

It will be noticed that Mr. Davison advances the great size of present-day security issues in explanation of why banking houses now purchase such issues in combination or for joint account instead of independently, as formerly. The fact is, however, . . . that not only are small issues still very frequent, but they are purchased in concert as regularly as the larger issues. Of the issues since 1907 . . . purchased or underwritten by two or more of the banking houses there named acting together, about ninety were for $5,000,000 and less, while an additional sixty were for amounts between $5,000,000

and $10,000,000. It also appears that forty-five of such issues for $5,000,000 and less, most of them made since 1909, were purchased or underwritten by Morgan & Co. in conjunction with associates.

Of course we do not suggest that banking houses may not on particular occasions join in purchasing or underwriting an issue of securities and yet remain entirely independent and free to compete with each other generally in the purchase of security issues. But where a group of such banking houses, pursuant to a settled policy, regularly purchase these issues in concert, competition amongst them in this vastly important commercial function is effectually suppressed. And that is the situation in this country. No less an authority than Mr. Baker admitted as much (R., 1542, 1543):

Q. But among these banking houses that we have named is there not a strong and continuous community of interest in the purchase and sale of securities?

A. I think there is. We have always tried to deal with our friends rather than with people we do not know.

Q. It is a good deal better to deal with your friends and split it up than it is to compete for the securities?

A. Not necessarily.

Q. That is what happens, is it not?

A. Oh, I do not think so to any great extent.

Q. Have you ever competed for any securities with Morgan & Co. in the last five years? If so, give us the name of them.

A. I do not know that we have competed with them.

Q. You divide with them, do you not? You give them a part of the issues when you have it?

A. We are apt to.

Q. And if they take a security they give you a part

of the issue, do they not?

A. Yes.

Q. That is what is known as the modern system of coöperation and combination as against the antique system of competition, is it not?

A. That is rather a long name for me.

Q. You understand the question. I would like to have you answer it.

A. I never heard it called in that way before.

Q. How would you call it?

A. I would not call it at all.

Q. You know what coöperation is, do you not?

A. Yes.

Q. Is that not coöperation as against competition? That is the modern system of coöperation as against the archaic system of competition, is it not?

A. I do not understand how you state that.

Q. That is right, is it not?

A. All right; yes.

Q. And that has been found to work very well, has it not?

A. I think so.

Q. For the bankers?

A. Yes; and for others, too.

Moreover, the banking houses which have joined in the plan of coöperation comprise the principal mediums through which the greater corporations of the country obtain their supplies of capital.

The charge for capital, which, of course, enters universally into the prices of commodities and of service, is thus in effect determined by agreement amongst those supplying it, and not under the check of competition. If

there be any virtue in the principle of competition, certainly any plan or arrangement which prevents its operation in the performance of so fundamental a commercial function as the supplying of capital is peculiarly injurious.

The possibility of competition between these banking houses in the purchase of securities is further removed by the understanding amongst them and others that one will not seek by offering better terms to take away from another a customer which it has theretofore served, and by the corollary of this, namely, that where given bankers have once satisfactorily united in bringing out an issue of a corporation they shall also join in bringing out any subsequent issue of the same corporation. This is described as a principle of banking ethics. It is thus stated by Mr. Hine, president of the First National Bank of New York (R., 2045, 2046):

Q. Recently your bank made an issue, jointly with J. P. Morgan & Co. and the National City Bank, of Chicago & Western Indiana Railway bonds, of ten millions, did it not?

A. Notes.

Q. Ten millions of notes, yes. Why was it necessary that three great banking houses should join in an issue of that kind?

A. I do not know of any reason.

Q. Was it not because they had been jointly interested in previous issues of the same company?

A. I do not know that it was.

Q. Had they been jointly interested in previous issues?

A. I think they had.

Q. Is it or is it not the custom when banking houses

are interested or become interested in one kind of issues of a company that they retain that interest in other issues?

A. Often it is so.

Q. That is part of the banking ethics, is it not?

A. Yes, I would say it is; on satisfactory terms.

Q. Is it another rule of banking ethics that bankers shall not interfere with one another's customers?

A. The same ethics obtain in banking that obtain in the legal profession and in the medical profession as to infringing upon the preserves of others.

Q. Well, what are the ethics in the banking profession as to trespassing upon the preserves of others?

A. If you will tell me what the ethics are in the legal world, I will answer your question.

Q. No; I would rather have you tell me the ethics in the world with which you are acquainted.

A. I can not state the matter any better than you have. It is the custom — I am not dealing in ethics.

Q. What is the custom among bankers and banking houses as to any one interfering with another's customer in business?

A. I do not know whether there is any custom. I think it is considered unprofessional.

Q. Unbusinesslike?

A. And not in good form according to the highest principles of business practice.

Q. Is it not in accordance with banking ethics to interfere with or take customers away from firms; to take customers who have been doing business with some other banking house?

A. I think that is ordinarily considered high-minded practice not to do so.

Mr. Davison testifying on the same subject said (R., 1858, 1859):

Q. Then you know of these three instances — the Chicago & Western Indiana Railway Co., the Kansas City Terminal Co., and the New York Central, all made within a few weeks jointly with other banking houses — those we have been discussing. Is there any rule or custom among bankers that where they make one issue of a company or are interested together in one issue they remain interested in subsequent issues?

A. For the same company?

Q. Yes.

A. As a matter of practice, if it was satisfactory in every particular, I should say it was the custom; yes. It is a matter of banking ethics.

Q. A matter of banking ethics?

A. I should say so; yes.

Q. If either one of the three thereafter gets an issue of that company it is a matter of banking ethics that it is for joint account, is it?

A. I should say that the natural way of handling that business would be to have it go to the parties who handled it before, if it were satisfactorily handled; yes.

Q. You mean if they have not had any differences or disagreements between themselves?

A. Yes, if it was satisfactorily handled.

Q. Have you not within the last few weeks also taken an issue of $67,000,000 of American Telephone & Telegraph Co. bonds jointly with Lee-Higginson and other banking houses?

A. No.

Q. You participated with them in that issue?

A. Excuse me, I was going to answer your question.

I think with others, not including Lee-Higginson & Co as principals, but with Kidder, Peabody & Co., the First National, the National City Bank, Baring Bros. & Co. (Ltd.), of London, and Morgan-Grenfell (Ltd.), of London, we have underwritten an issue of $67,000,000 of American Telephone & Telegraph Co. bonds.

Q. Are they the same parties ——

A. I beg your pardon — and Kuhn, Loeb & Co.

Q. Are they the same bankers or banking houses with which you had previously underwritten issues of the American Telephone & Telegraph Co.?

A. Exactly; and that is a complete answer to your question.

Q. You have together underwritten, I think, $150,-000,000 of those bonds, have you not?

A. That is my recollection.

Q. So that the same rule of banking ethics required the same disposition of this issue as of the others?

A. I would not say it required it.

Q. It resulted in it?

A. It resulted in it, exactly.

Q. As a matter of fact, in business morals it would require it.

A. It would require it if everything was properly and satisfactorily handled, and there were no other factors in the situation which might make it inexpedient. The situation, when a transaction comes up, always governs.

Mr. Schiff was more guarded in his statement of the practice (R., 1666, 1668, 1669):

Q. And you would not, for instance, if you knew the Southern Railway was going to make an issue of

securities, be willing to bid on them, would you?

A. We would not.

Q. In other words, these houses have their recognized clients, have they not?

A. To some extent.

Q. And is it not also recognized that they are their clients and that they are not to be interfered with?

A. I think that is going a bit too far, because there is very frequently interference or attempted interference.

Q. Has there ever been any interference with your exclusively handling the issues of the Union Pacific Railroad in the last ten years?

A. I do not think so.

. . . .

Q. Have you any instance in mind in which in the last five years you have invaded the field of Messrs. Morgan & Co. or they have invaded yours?

A. I have not.

Q. Or have you in mind any instance in which you have invaded the field of the National City Bank or the First National Bank, or in which they have invaded yours?

A. As to the First National Bank, I know we have not. As to the National City Bank I can not say for certain. I think they would do business to a certain extent even where we are considered the agents, and we would do certain business where they are considered the agents; not to a large extent.

Q. Is not that where the corporation is a customer of both of you? Is not that the only case in which the corporation is claimed to be or regarded as a customer of both of you or either of you?

A. It is in cases where a corporation is regarded as a

customer of neither.

Q. That is, in a case in which the field happens to be open?

A. Yes.

This custom, by whatever name it be called, and the practice of these great banking houses which it supplements of purchasing security issues in concert and not independently can not have any other effect than the suppression of competition in the purchasing of such securities, and the creation of a combination or community of interest which may grant or withhold credit as it wills and whose terms borrowing corporations must accept.

Undue concentration admitted. — Mr. Reynolds, president of the Continental & Commercial National Bank of Chicago, was outspoken in the view that concentration of control of banking resources has already gone so far as to be a menace to the country (R., 1654, 1655):

Q. I suppose, Mr. Reynolds, that as president of a great bank you have kept in touch with the very recent trend toward concentration and control of money and credit in the East?

A. Yes, sir; I have been constantly reminded of it in the last year or so.

Q. You know the extent to which it has gone in the last few years?

A. I have a general knowledge of it; yes, sir.

Q. Do you or not know the effect that has on the marketing of securities of a great railroad and other interstate corporations, and the trend of concentration brought about through the concentration of this money and credit?

A. I have read all that has been adduced at this

examination, and a great many other things, and my information in detail is very largely the result of this reading, rather than from personal experience.

Q. But you have information and knowledge of the conditions in New York, for instance, as between the great banking houses. That is a matter of personal knowledge?

A. Yes; I have a fairly general knowledge of that, I should say.

Q. What would you say as to that concentration of the control of money and credit being a menace to the country?

A. That involves a very deep question. Personally I am inclined to believe that an excess of power of any kind in the hands of a few men might properly be called a menace. I do not mean to say by that that the people who had that control and power have used it improperly. I do not mean to say that at all.

Q. Regardless of the way they have used it for the time being, the question is, is it not, as to the way they can use it?

A. I think a more wide distribution of the power of credit, if that is what you mean, would really be better in the long run.

Q. Taking the present situation as you find it, Mr. Reynolds, what is your judgment as to whether that situation is a menace?

A. I am inclined to think that the concentration, having gone to the extent it has, does constitute a menace. I wish again, however, to qualify that by saying that I do not mean to sit in judgment upon anybody who controls that, because I do not pretend to know whether they have used it fairly or honestly or otherwise.

Mr. Schiff also conceded rapid concentration of control of banking resources in New York in recent years, but he stated that it caused him no anxiety so far as the well-being of his own firm was concerned, as they were able to take care of themselves. We quote (R., 1686–1687, 1688):

Q. Have you been an interested observer of the concentration and control of money and credit in New York in the last few years?

A. I have.

Q. You have seen it grow very rapidly, have you not?

A. Yes.

Q. And you have seen it drift into fewer and fewer hands, have you not?

A. It has drifted into fewer and fewer corporations.

Q. And the concentration and control of those corporations has drifted into fewer hands, has it not?

A. I am not sure that it has done that.

Q. Do you know anything about it?

A. Well, I think the stockholding in different ——

Q. I say, do you know anything about it?

A. Not very closely.

Q. You have not watched it very closely?

A. I think stockholdings in most New York corporations are very well divided.

Q. We are not talking about stockholdings, but about practical control of management as distinguished from stockholding. You see the difference?

A. I see the difference.

Q. It is a very substantial difference, is it not?

A. Yes, sir.

Q. Now, confining yourself to the question of actual

practical control of the management of these great moneyed corporations, you have observed, have you not, a growing concentration of control?

A. I have.

Q. And has it been a subject of concern to you?

A. No; it has not.

. . . .

Q. You have been an interested onlooker in this concentration?

A. An observer; yes.

Q. And you have understood the possibility of its affecting you and your own sources of credit, have you not?

A. I have not been concerned in that.

Q. You do not require credit, then?

A. No.

Q. But you have considered its effect upon the small banking houses, not so fortunately situated as you, that do require credit?

A. Yes.

Q. Have you considered it?

A. Yes.

Q. And have you considered its effect on the ability of the smaller houses to grow and become great issuing houses?

A. Yes.

Finally, Mr. Baker, who is outranked only by Mr. Morgan, if at all, as a factor in the concentration of control of banking resources and credit into fewer and fewer hands in New York, frankly admitted that in his judgment the movement had gone far enough; that even if it stopped where it is the peril would be great if ambitious and not overscrupulous men should get into

the places of power which have been created; and that therefore the safety of the existing system lies in the personnel of the men now in control. We quote from his illuminating testimony (R., 1567, 1568):

Q. I suppose you would see no harm, would you, in having the control of credit, as represented by the control of banks and trust companies, still further concentrated? Do you think that would be dangerous?

A. I think it has gone about far enough.

Q. You think it would be dangerous to go further?

A. It might not be dangerous, but still it has gone about far enough. In good hands, I do not see that it would do any harm. If it got into bad hands, it would be very bad.

Q. If it got into bad hands, it would wreck the country?

A. Yes; but I do not believe it could get into bad hands.

Q. You admit that if this concentration, to the point to which it has gone, were by any action to get into bad hands, it would wreck the country?

A. I can not imagine such a condition.

Q. I thought you said so?

A. I said it could be bad, but I do not think it would wreck the country. I do not think bad hands could manage it. They could not retain the deposits nor the securities.

Q. I am not speaking of incompetent hands. We are speaking of this concentration which has come about and the power that it brings with it getting into the hands of very ambitious men, perhaps not over-scrupulous. You see a peril in that, do you not?

A. Yes.

Q. So that the safety, if you think there is safety in the situation, really lies in the personnel of the men?

A. Very much.

Q. Do you think that is a comfortable situation for a great country to be in?

A. Not entirely.

BIBLIOGRAPHICAL NOTE

The literature covering special phases of the development and growth of capitalized industry and "high finance" in the United States during the past half century is plentiful enough. Scores of volumes have been written on the Trusts, on particular industries, and special combinations of capital. But no exhaustive study appears to have been made of the broad trend toward the concentration and control of industry and finance by Wall Street financiers, during the remarkable period culminating in the aggressive antitrust legislation after the financial crash of 1907.

Among the best popular books on the Standard Oil Trust may be mentioned: *Wealth Against Common-Wealth*, by Henry Demarest Lloyd (1894); *History of the Standard Oil Trust*, by S. C. T. Dodd (1894); *Rise and Progress of the Standard Oil Company*, by Gilbert Holland Montague (1903); *History of the Standard Oil Company*, by Ida M. Tarbell (1904). To supplement these books, bringing the facts relating to this great business aggregation down to later dates, reference should be made to government exhibits, such as the report of the United States Industrial Commission (1900 and 1902); the testimony in the Supreme Court suit for dissolution (1910 and 1911) and the report of the "Money Trust Investigation" made by the Committee on Banking

and Currency of the House of Representatives in 1913. These latter are a real mine of information regarding the activities not only of Standard Oil magnates in business and banking fields, but of others as well during the preceding decade.

The story of the Morgan banking house has never been fully told, though the *Life Story of J. P. Morgan*, by Carl Hovey (1911), presents a fair outline. Consult also, *Forty Years of American Finance*, by Alexander D. Noyes (1909) which contains interesting chapters on the government financing undertaken by the firm.

The facts of Edward H. Harriman's remarkable career can be culled only from the current financial publications of the period. Government reports, such as the testimony in the Supreme Court suit for the dissolution of the Northern Securities Company (1904) and the report of the Committee on Banking and Currency, show the general activities of the Harriman financiers and their connections with Wall Street.

The rise to power of the steel and iron magnates and the growth of allied industries have been presented to the public in various forms. A valuable but biased work is the *Inside History of the Carnegie Steel Company*, by James H. Bridge (1903). *The Romance of Steel*, by Herbert N. Casson (1907) is a very readable story.

On the specific subject of Wall Street mechanism and finance, *The Work of Wall Street*, by Sereno S. Pratt (1912), and *Wall Street and the Country*, by Charles A. Conant (1904), will be found interesting. *The Truth About the Trusts*, by John Moody (1904), is a statistical exhibit of capitalized industry and finance as it existed at the apex of the merger movement.

On the general subject of industrial trusts and

combinations scores of volumes have been written, some of value and many worthless. Among the informing, popular books of the past two decades may be mentioned: *The Story of Life Insurance*, by Burton J. Hendrick (1907); *Trusts, or Industrial Combinations and Coalitions in the United States*, by Ernst von Halle (1895); *Corporation Finance*, by Thomas L. Greene (1908); *The Control of Trusts*, by John B. Clark (1901); *Trust Finance*, by Edward Sherwood Meade (1903); *The Trust Problem*, by Jeremiah W. Jenks (1900); and *Industrial Combinations and Trusts*, by William H. Stevens (1913).

But to learn the full story of the great masters of capital of the last generation, one must depend chiefly on financial and investment periodicals. Chief among these are the *Commercial and Financial Chronicle*, the *Wall Street Journal*, and the New York *Journal of Commerce*. For purely banking subjects, the *Bankers Magazine* is the best source of information. For full light on the subject of the control of life insurance funds by the powers of Wall Street, nothing better can be found than the report of the joint committee of the New York Legislature appointed to investigate life insurance companies (1906). The facts regarding the dissolution of the Standard Oil Trust and the American Tobacco Company are to be found in the testimony in the Supreme Court suits against those companies. The best popular description of the panic of 1907 is contained in Alexander D. Noyes's *Forty Years of American Finance*.

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PART II

THEODORE ROOSEVELT AND HIS TIMES

A CHRONICLE
OF THE PROGRESSIVE MOVEMENT
BY
HAROLD HOWLAND

To

MADELINE HOWLAND

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THEODORE ROOSEVELT AND HIS TIMES

CHAPTER I

THE YOUNG FIGHTER

There is a line of Browning's that should stand as epitaph for Theodore Roosevelt: "*I was ever a fighter.*" That was the essence of the man, that the keynote of his career. He met everything in life with a challenge. If it was righteous, he fought for it; if it was evil, he hurled the full weight of his personality against it. He never capitulated, never sidestepped, never fought foul. He carried the fight to the enemy.

His first fight was for health and bodily vigor. It began at the age of nine. Physically he was a weakling, his thin and ill-developed body racked with asthma. But it was only the physical power that was wanting, never the intellectual or the

spiritual. He owed to his father, the first Theodore, the wise counsel that launched him on his determined contest against ill health. On the third floor of the house on East Twentieth Street in New York where he was born, October 27, 1858, his father had constructed an outdoor gymnasium, fitted with all the usual paraphernalia. It was an impressive moment, Roosevelt used to say in later years, when his father first led him into that gymnasium and said to him, "Theodore, you have the brains, but brains are of comparatively little use without the body; you have got to make your body, and it lies with you to make it. It's dull, hard work, but you can do it." The boy knew that his father was right; and he set those white, powerful teeth of his and took up the drudgery of daily, monotonous exercise with bars and rings and weights. "I can see him now," says his sister, "faithfully going through various exercises, at different times of the day, to broaden the chest narrowed by this terrible shortness of breath, to make the limbs and back strong, and able to bear the weight of what was coming to him later in life."

All through his boyhood the young Theodore Roosevelt kept up his fight for strength. He was

too delicate to attend school, and was taught by private tutors. He spent many of his summers, and sometimes some of the winter months, in the woods of Maine. These outings he thoroughly enjoyed, but it is certain that the main motive which sent him into the rough life of the woods to hunt and tramp, to paddle and row and swing an axe, was the obstinate determination to make himself physically fit.

His fight for bodily power went on through his college course at Harvard and during the years that he spent in ranch life in the West. He was always intensely interested in boxing, although he was never of anything like championship caliber in the ring. His first impulse to learn to defend himself with his hands had a characteristic birth.

During one of his periodical attacks of asthma he was sent alone to Moosehead Lake in Maine. On the stagecoach that took him the last stage of the journey he met two boys of about his own age. They quickly found, he says, in his *Autobiography*, that he was "a foreordained and predestined victim" for their rough teasing, and they "industriously proceeded to make life miserable" for their fellow traveler. At last young Roosevelt could endure their persecutions no longer, and tried to

fight. Great was his discomfiture when he discovered that either of them alone could handle him "with easy contempt." They hurt him little, but, what was doubtless far more humiliating, they prevented him from doing any damage whatever in return.

The experience taught the boy, better than any good advice could have done, that he must learn to defend himself. Since he had little natural prowess, he realized that he must supply its place by training. He secured his father's approval for a course of boxing lessons, upon which he entered at once. He has described himself as a "painfully slow and awkward pupil," who worked for two or three years before he made any perceptible progress.

In college Roosevelt kept at boxing practice. Even in those days no antagonist, no matter how much his superior, ever made him "quit." In his ranching days, that training with his fists stood him in good stead. Those were still primitive days out in the Dakotas, though now, as Roosevelt has said, that land of the West has "'gone, gone with the lost Atlantis,' gone to the isle of ghosts and of strange dead memories." A man needed to be able to take care of himself in that Wild West

then. Roosevelt had many stirring experiences but only one that he called "serious trouble."

He was out after lost horses and came to a primitive little hotel, consisting of a bar-room, a dining-room, a lean-to kitchen, and above a loft with fifteen or twenty beds in it. When he entered the bar-room late in the evening — it was a cold night and there was nowhere else to go — a would-be "bad man," with a cocked revolver in each hand, was striding up and down the floor, talking with crude profanity. There were several bullet holes in the clock face, at which he had evidently been shooting. This bully greeted the newcomer as "Four Eyes," in reference to his spectacles, and announced, "Four Eyes is going to treat." Roosevelt joined in the laugh that followed and sat down behind the stove, thinking to escape notice. But the "bad man" followed him, and in spite of Roosevelt's attempt to pass the matter over as a joke, stood over him, with a gun in each hand and using the foulest language. "He was foolish," said Roosevelt, in describing the incident, "to stand so near, and moreover, his heels were close together, so that his position was unstable." When he repeated his demand that Four Eyes should treat, Roosevelt rose as if to comply. As he rose

he struck quick and hard with his right fist just to the left side of the point of the jaw, and, as he straightened up hit with his left, and again with his right. The bully's guns went off, whether intentionally or involuntarily no one ever knew. His head struck the corner of the bar as he fell, and he lay senseless. "When my assailant came to," said Roosevelt, "he went down to the station and left on a freight." It was eminently characteristic of Roosevelt that he tried his best to avoid trouble, but that, when he could not avoid it honorably, he took care to make it "serious trouble" for the other fellow.

Even after he became President, Roosevelt liked to box, until an accident, of which for many years only his intimate friends were aware, convinced him of the unwisdom of the game for a man of his age and optical disabilities. A young artillery captain, with whom he was boxing in the White House, cross-countered him on the left eye, and the blow broke the little blood-vessels. Ever afterward, the sight of that eye was dim; and, as he said, "if it had been the right eye I should have been entirely unable to shoot." To "a mighty hunter before the Lord" like Theodore Roosevelt, such a result would have been a cardinal calamity.

By the time his experiences in the West were over, Roosevelt's fight for health had achieved its purpose. Bill Sewall, the woodsman who had introduced the young Roosevelt to the life of the out-of-doors in Maine, and who afterward went out West with him to take up the cattle business, offers this testimony: "He went to Dakota a frail young man, suffering from asthma and stomach trouble. When he got back into the world again, he was as husky as almost any man I have ever seen who wasn't dependent on his arms for his livelihood. He weighed one hundred and fifty pounds, and was clear bone, muscle, and grit."

This battle won by the force of sheer determination, the young Roosevelt never ceased fighting. He knew that the man who neglects exercise and training, no matter how perfect his physical trim, is certain to "go back." One day many years afterward on Twenty-third Street, on the way back from an *Outlook* editorial luncheon, I ran against his shoulder, as one often will with a companion on crowded city streets, and felt as if it were a massive oak tree into which I had bumped. Roosevelt the grown man of hardened physique was certainly a transformation from that "reed shaken with the wind" of his boyhood days.

When Theodore Roosevelt left Harvard in 1880, he plunged promptly into a new fight — in the political arena. He had no need to earn his living; his father had left him enough money to take care of that. But he had no intention or desire to live a life of leisure. He always believed that the first duty of a man was to "pull his own weight in the boat"; and his irrepressible energy demanded an outlet in hard, constructive work. So he took to politics, and as a good Republican ("at that day" he said, "a young man of my bringing up and convictions could only join the Republican party") he knocked at the door of the Twenty-first District Republican Association in the city of New York. His friends among the New Yorkers of cultivated taste and comfortable life disapproved of his desire to enter this new environment. They told him that politics were "low"; that the political organizations were not run by "gentlemen," and that he would find there saloon-keepers, horse-car conductors, and similar persons, whose methods he would find rough and coarse and unpleasant. Roosevelt merely replied that, if this were the case, it was those men and not his "silk-stocking" friends who constituted the governing class — and that he intended to be one

of the governing class himself. If he could not hold his own with those who were really in practical politics, he supposed he would have to quit; but he did not intend to quit without making the experiment.

At every step in his career Theodore Roosevelt made friends. He made them not "unadvisedly or lightly" but with the directness, the warmth, and the permanence that were inseparable from the Roosevelt character. One such friend he acquired at this stage of his progress. In that District Association, from which his friends had warned him away, he found a young Irishman who had been a gang leader in the rough-and-tumble politics of the East Side. Driven by the winter wind of man's ingratitude from Tammany Hall into the ranks of the opposite party, Joe Murray was at this time one of the lesser captains in "the Twenty-first." Roosevelt soon came to like him. He was "by nature as straight a man, as fearless, and as stanchly loyal," said Roosevelt, "as any one whom I have ever met, a man to be trusted in any position demanding courage, integrity, and good faith." The liking was returned by the eager and belligerent young Irishman, though he has confessed that he was first led to consider Roosevelt

as a political ally from the point of view of his advantages as a vote-getter.

The year after Roosevelt joined "the governing class" in Morton Hall, "a large barn-like room over a saloon," with furniture "of the canonical kind; dingy benches, spittoons, a dais at one end with a table and chair, and a stout pitcher for iced water, and on the walls pictures of General Grant, and of Levi P. Morton," Joe Murray was engaged in a conflict with "the boss" and wanted a candidate of his own for the Assembly. He picked out Roosevelt, because he thought that with him he would be most likely to win. Win they did; the nomination was snatched away from the boss's man, and election followed. The defeated boss good-humoredly turned in to help elect the young silk-stocking who had been the instrument of his discomfiture.

CHAPTER II

IN THE NEW YORK ASSEMBLY

Roosevelt was twice reëlected to the Assembly, the second time in 1883, a year when a Republican success was an outstanding exception to the general course of events in the State. His career at Albany was marked by a series of fights for decency and honesty. Each new contest showed him a fearless antagonist, a hard hitter, and a man of practical common sense and growing political wisdom. Those were the days of the famous "black horse cavalry" in the New York Legislature — a group of men whose votes could always be counted on by the special interests and those corporations whose managers proceeded on the theory that the way to get the legislation they wanted, or to block the legislation they did not want, was to buy the necessary votes. Perhaps one-third of the members of the Legislature, according to Roosevelt's estimate, were purchasable.

Others were timid. Others again were either stupid or honestly so convinced of the importance of "business" to the general welfare that they were blind to corporate faults. But Theodore Roosevelt was neither purchasable, nor timid, nor unable to distinguish between the legitimate requirements of business and its unjustifiable demands. He developed as a natural leader of the honest opposition to the "black horse cavalry."

The situation was complicated by what were known as "strike bills." These were bills which, if passed, might or might not have been in the public interest, but would certainly have been highly embarrassing to the private interests involved. The purpose of their introduction was, of course, to compel the corporations to pay bribes to ensure their defeat. Roosevelt had one interesting and illuminating experience with the "black horse cavalry." He was Chairman of the Committee on Cities. The representatives of one of the great railways brought to him a bill to permit the extension of its terminal facilities in one of the big cities of the State, and asked him to take charge of it. Roosevelt looked into the proposed bill and found that it was a measure that ought to be passed quite as much in the public interest as

in the interest of the railroad. He agreed to stand sponsor for the bill, provided he were assured that no money would be used to push it. The assurance was given. When the bill came before his committee for consideration, Roosevelt found that he could not get it reported out either favorably or unfavorably. So he decided to force matters. In accordance with his life-long practice, he went into the decisive committee meeting perfectly sure what he was going to do, and otherwise fully prepared.

There was a broken chair in the room, and when he took his seat a leg of that chair was unobtrusively ready to his hand. He moved that the bill be reported favorably. The gang, without debate, voted "No." He moved that it be reported unfavorably. Again the gang voted "No." Then he put the bill in his pocket and announced that he proposed to report it anyhow. There was almost a riot. He was warned that his conduct would be exposed on the floor of the Assembly. He replied that in that case he would explain publicly in the Assembly the reasons which made him believe that the rest of the committee were trying, from motives of blackmail, to prevent any report of the bill. The bill was reported without further protest, and the threatened riot did

not come off, partly, said Roosevelt, "because of the opportune production of the chair-leg." But the young fighter found that he was no farther along: the bill slumbered soundly on the calendar, and nothing that he could do availed to secure consideration of it. At last the representative of the railroad suggested that some older and more experienced leader might be able to get the bill passed where he had failed. Roosevelt could do nothing but assent. The bill was put in charge of an "old Parliamentary hand," and after a decent lapse of time, went through without opposition. The complete change of heart on the part of the black horsemen under the new leadership was vastly significant. Nothing could be proved; but much could be surmised.

Another incident of Roosevelt's legislative career reveals the bull-dog tenacity of the man. Evidence had been procured that a State judge had been guilty of improper, if not of corrupt, relations with certain corporate interests. This judge had held court in a room of one of the "big business" leaders of that time. He had written in a letter to this financier, "I am willing to go to the very verge of judicial discretion to serve your vast interests." There was strong evidence that he

had not stopped at the verge. The blood of the young Roosevelt boiled at the thought of this stain on the judicial ermine. His party elders sought patronizingly to reassure him; but he would have none of it. He rose in the Assembly and demanded the impeachment of the unworthy judge. With perfect candor and the naked vigor that in the years to come was to become known the world around he said precisely what he meant. Under the genial sardonic advice of the veteran Republican leader, who "wished to give young Mr. Roosevelt time to think about the wisdom of his course," the Assembly voted not to take up his "loose charges." It looked like ignominious defeat. But the next day the young firebrand was back to the attack again, and the next day, and the next. For eight days he kept up the fight; each day the reputation of this contest for a forlorn hope grew and spread throughout the State. On the eighth day he demanded that the resolution be voted on again, and the opposition collapsed. Only six votes were cast against his motion. It is true that the investigation ended in a coat of whitewash. But the evidence was so strong that no one could be in doubt that it *was* whitewash. The young legislator, whose party mentors had seen

before him nothing but a ruined career, had won a smashing moral victory.

Roosevelt was not only a fighter from his first day in public life to the last, but he was a fighter always against the same evils. Two incidents more than a quarter of a century apart illustrate this fact. A bill was introduced in the Assembly in those earlier days to prohibit the manufacture of cigars in tenement houses in New York City. It was proposed by the Cigar-Makers' Union. Roosevelt was appointed one of a committee of three to investigate the subject. Of the other two members, one did not believe in the bill but confessed privately that he must support it because the labor unions were strong in his district. The other, with equal frankness, confessed that he had to oppose the bill because certain interests who had a strong hold upon him disapproved it, but declared his belief that if Roosevelt would look into the matter he would find that the proposed legislation was good. Politics, and politicians, were like that in those days — as perhaps they still are in these. The young aristocrat, who was fast becoming a stalwart and aggressive democrat, expected to find himself against the bill; for, as he has said, the "respectable people" and

the "business men" whom he knew did not believe in such intrusions upon the right even of working-men to do what they would with their own. The *laissez faire* doctrine of economic life was good form in those days.

But the only member of that committee that approached the question with an open mind found that his first impressions were wrong. He went down into the tenement houses to see for himself. He found cigars being made under conditions that were appalling. For example, he discovered an apartment of one room in which three men, two women, and several children — the members of two families and a male boarder — ate, slept, lived, and made cigars. "The tobacco was stowed about everywhere, alongside the foul bedding, and in a corner where there were scraps of food." These conditions were not exceptional; they were only a little worse than was usual.

Roosevelt did not oppose the bill; he fought for it and it passed. Then he appeared before Governor Cleveland to argue for it on behalf of the Cigar-Makers' Union. The Governor hesitated, but finally signed it. The Court of Appeals declared it unconstitutional, in a smug and well-fed decision, which spoke unctuously of the "hallowed"

influences of the "home." It was a wicked decision, because it was purely academic, and was removed as far as the fixed stars from the actual facts of life. But it had one good result. It began the making of Theodore Roosevelt into a champion of social justice, for, as he himself said, it was this case which first waked him "to a dim and partial understanding of the fact that the courts were not necessarily the best judges of what should be done to better social and industrial conditions."

When, a quarter of a century later, Roosevelt left the Presidency and became Contributing Editor of *The Outlook*, almost his first contribution to that journal was entitled "A Judicial Experience." It told the story of this law and its annullment by the court. Mr. William Travers Jerome wrote a letter to *The Outlook*, taking Roosevelt sharply to task for his criticism of the court. It fell to the happy lot of the writer as a cub editor to reply editorially to Mr. Jerome. I did so with gusto and with particularity. As Mr. Roosevelt left the office on his way to the steamer that was to take him to Africa to hunt non-political big game, he said to me, who had seen him only once before: "That was bully. You have done just what my Cabinet members used to do for me in Washington.

When a question rose that demanded action, I used to act. Then I would tell Root or Taft to find out and tell me why what I had done was legal and justified. Well done, co-worker." Is it any wonder that Theodore Roosevelt had made in that moment another ardent supporter?

Those first years in the political arena were not only a fighting time, they were a formative time. The young Roosevelt had to discover a philosophy of political action which would satisfy him. He speedily found one that suited his temperament and his keen sense of reality. He found no reason to depart from it to the day of his death. Long afterward he told his good friend Jacob Riis how he arrived at it. This was the way of it:

I suppose that my head was swelled. It would not be strange if it was. I stood out for my own opinion, alone. I took the best mugwump stand: my own conscience, my own judgment, were to decide in all things. I would listen to no argument, no advice. I took the isolated peak on every issue, and my people left me. When I looked around, before the session was well under way, I found myself alone. I was absolutely deserted. The people didn't understand. The men from Erie, from Suffolk, from anywhere, would not work with me. "He won't listen to anybody," they said, and I would not. My isolated peak had become a valley; every bit of influence I had was gone. The

things I wanted to do I was powerless to accomplish. What did I do? I looked the ground over and made up my mind that there were several other excellent people there, with honest opinions of the right, even though they differed from me. I turned in to help them, and they turned to and gave me a hand. And so we were able to get things done. We did not agree in all things, but we did in some, and those we pulled at together. That was my first lesson in real politics. It is just this: if you are cast on a desert island with only a screw-driver, a hatchet, and a chisel to make a boat with, why, go make the best one you can. It would be better if you had a saw, but you haven't. So with men. Here is my friend in Congress who is a good man, a strong man, but cannot be made to believe in some things which I trust. It is too bad that he doesn't look at it as I do, but he *does not*, and we have to work together as we can. There is a point, of course, where a man must take the isolated peak and break with it all for clear principle, but until it comes he must work, if he would be of use, with men as they are. As long as the good in them overbalances the evil, let him work with that for the best that can be got.

From the moment that he had learned this valuable lesson — and Roosevelt never needed to learn a lesson twice — he had his course in public life marked out before him. He believed ardently in getting things done. He was no theoretical reformer. He would never take the wrong road; but,

if he could not go as far as he wanted to along the right road, he would go as far as he could, and bide his time for the rest. He would not compromise a hair's breadth on a principle; he would compromise cheerfully on a method which did not mean surrender of the principle. He perceived that there were in political life many bad men who were thoroughly efficient and many good men who would have liked to accomplish high results but who were thoroughly inefficient. He realized that if he wished to accomplish anything for the country his business was to combine decency and efficiency; to be a thoroughly practieal man of high ideals who did his best to reduce those ideals to actual practice. This was the choice that he made in those first days, the companionable road of practical idealism rather than the isolated peak of idealistic ineffectiveness.

A hard test of his political philosophy came in 1884 just after he had left the Legislature. He was selected as one of the four delegates at large from New York to the Republican National Convention. There he advocated vigorously the nomination of Senator George F. Edmunds for the Presidency. But the more popular candidate with the delegates was James G. Blaine. Roosevelt did

not believe in Blaine, who was a politician of the professional type and who had a reputation that was not immaculate. The better element among the delegates fought hard against Blaine's nomination, with Roosevelt wherever the blows were shrewdest. But their efforts were of no avail. Too many party hacks had come to the Convention, determined to nominate Blaine, and they put the slate through with a whoop.

Then, every Republican in active politics who was anything but a rubber stamp politician had a difficult problem to face. Should he support Blaine, in whom he could have no confidence and for whom he could have no respect, or should he "bolt"? A large group decided to bolt. They organized the Mugwump party — the epithet was flung at them with no friendly intent by Charles A. Dana of the New York *Sun*, but they made of it an honorable title — under the leadership of George William Curtis and Carl Schurz. Their announced purpose was to defeat the Republicans, from whose ranks they had seceded, and in this attempt they were successful.

Roosevelt, however, made the opposite decision. Indeed, he had made the decision before he entered the Convention. It was characteristic

of him not to wait until the choice was upon him but to look ahead and make up his mind just which course he would take if and when a certain contingency arose. I remember that once in the later days at Oyster Bay he said to me, "They say I am impulsive. It isn't true. The fact is that on all the important things that may come up for decision in my life, I have thought the thing out in advance and know what I will do. So when the moment comes, I don't have to stop to work it out then. My decision is already made. I have only to put it into action. It looks like impulsiveness. It is nothing of the sort."

So, in 1884, when Roosevelt met his first problem in national politics, he already knew what he would do. He would support Blaine, for he was a party man. The decision wounded many of his friends. But it was the natural result of his political philosophy. He believed in political parties as instruments for securing the translation into action of the popular will. He perceived that the party system, as distinguished from the group system of the continental peoples, was the Anglo-Saxon, the American way of doing things. He wanted to get things done. There was only one thing that he valued more than achievement —

and that was the right. Therefore, until it became a clean issue between right and wrong, he would stick to the instrument which seemed to him the most efficient for getting things done. So he stuck to his party, in spite of his distaste for its candidate, and saw it go down in defeat.

Roosevelt never changed his mind about this important matter. He was a party man to the end. In 1912 he left his old party on what he believed to be — and what was — a naked moral issue. But he did not become an independent. He created a new party.

CHAPTER III

THE CHAMPION OF CIVIL SERVICE REFORM

THE four years after the Cleveland-Blaine campaign were divided into two parts for Roosevelt by another political experience, which also resulted in defeat. He was nominated by the Republicans and a group of independents for Mayor of New York. His two opponents were Abram S. Hewitt, a business man of standing who had been inveigled, no one knows how, into lending respectability to the Tammany ticket in a critical moment, and Henry George, the father of the Single Tax doctrine, who had been nominated by a conference of some one hundred and seventy-five labor organizations. Roosevelt fought his best on a personal platform of "no class or caste" but "honest and economical government on behalf of the general well-being." But the inevitable happened. Tammany slipped in between its divided enemies and made off with the victory.

The rest of the four years he spent partly in ranch life out in the Dakotas, partly in writing history and biography at home and in travel. The life on the ranch and in the hunting camps finished the business, so resolutely begun in the outdoor gymnasium on Twentieth Street, of developing a physical equipment adequate for any call he could make upon it. This sojourn on the plains gave him, too, an intimate knowledge of the frontier type of American. Theodore Roosevelt loved his fellow men. What is more, he was always interested in them, not abstractly and in the mass, but concretely and in the individual. He believed in them. He knew their strength and their virtues, and he rejoiced in them. He realized their weaknesses and their softnesses and fought them hard. It was all this that made him the thoroughgoing democrat that he was. "The average American," I have heard him say a hundred times to all kinds of audiences, "is a pretty good fellow, and his wife is a still better fellow." He not only enjoyed those years in the West to the full, but he profited by them as well. They broadened and deepened his knowledge of what the American people were and meant. They made vivid to him the value of the simple, robust virtues of self-reliance, courage,

self-denial, tolerance, and justice. The influence of those hard-riding years was with him as a great asset to the end of his life.

In the Presidential campaign of 1888, Roosevelt was on the firing line again, fighting for the Republican candidate, Benjamin Harrison. When Mr. Harrison was elected, he would have liked to put the young campaigner into the State Department. But Mr. Blaine, who became Secretary of State, did not care to have his plain-spoken opponent and critic under him. So the President offered Roosevelt the post of Civil Service Commissioner.

The spoils system had become habitual and traditional in American public life by sixty years of practice. It had received its first high sanction in the cynical words of a New York politician, "To the victor belong the spoils." Politicians looked upon it as a normal accompaniment of their activities. The public looked upon it with indifference. But finally a group of irrepressible reformers succeeded in getting the camel's nose under the flap of the tent. A law was passed establishing a Commission which was to introduce the merit system. But even then neither the politicians nor the public, nor the Commission itself, took the matter very seriously. The Commission

was in the habit of carrying on its functions perfunctorily and unobtrusively. But nothing could be perfunctory where Roosevelt was. He would never permit things to be done — or left undone — unobtrusively, when what was needed was to obtrude the matter forcibly on the public mind. He was a profound believer in the value of publicity.

When Roosevelt became Commissioner things began swiftly to happen. He had two firm convictions: that laws were made to be enforced, in the letter and in the spirit; and that the only thing worth while in the world was to get things done. He believed with a hot conviction in decency, honesty, and efficiency in public as in private life.

For six years he fought and infused his fellow Commissioners with some of his fighting spirit. They were good men but easy-going until the right leadership came along. The first effort of the Commission under the new leadership was to secure the genuine enforcement of the law. The backbone of the merit system was the competitive examination. This was not because such examinations are the infallible way to get good public servants, but because they are the best way that has yet been devised to keep out bad public servants, selected for private reasons having nothing

to do with the public welfare. The effort to make these examinations and the subsequent appointments of real service to the nation rather than to the politicians naturally brought the Commission into conflict with many men of low ideals, both in Congress and without. Roosevelt found a number of men in Congress — like Senator Lodge, Senator Davis of Minnesota, Senator Platt of Connecticut, and Congressman (afterward President) McKinley — who were sincerely and vigorously opposed to the spoils system. But there were numbers of other Senators and Congressmen who hated the whole reform — everything connected with it and everybody who championed it. "Sometimes," Roosevelt said of these men, "to use a legal phrase, their hatred was for cause, and sometimes it was peremptory — that is, sometimes the Commission interfered with their most efficient, and incidentally most corrupt and unscrupulous, supporters, and at other times, where there was no such interference, a man nevertheless had an innate dislike of anything that tended to decency in government."

Conflict with these men was inevitable. Sometimes their opposition took the form of trying to cut down the appropriation for the Commission.

Then the Commission, on Roosevelt's suggestion, would try the effect of holding no examinations in the districts of the Senators or Congressmen who had voted against the appropriation. The response from the districts was instantaneous. Frantic appeals came to the Commission from aspirants for office. The reply would be suave and courteous. One can imagine Roosevelt dictating it with a glint in his eye and a snap of the jaw, and when it was typed, inserting a sting in the tail in the form of an interpolated sentence in his own vigorous and rugged script. Those added sentences, without which any typewritten Roosevelt letter might almost be declared to be a forgery, so uniformly did the impulse to add them seize him, were always the most interesting feature of a communication from him. The letter would inform the protesting one that unfortunately the appropriation had been cut, so that examinations could not be held in every district, and that obviously the Commission could not neglect the districts of those Congressmen who believed in the reform and therefore in the examinations. The logical next step for the hungry aspirant was to transfer the attack to his Congressman or Senator. In the long run, by this simple device of backfiring,

which may well have been a reminiscence of prairie fire days in the West, the Commission obtained enough money to carry on.

There were other forms of attack tried by the spoils-loving legislators. One was investigation by a congressional committee. But the appearance of Roosevelt before such an investigating body invariably resulted in a "bully time" for him and a peculiarly disconcerting time for his opponents.

One of the Republican floor leaders in the House in those days was Congressman Grosvenor from Ohio. In an unwary moment Mr. Grosvenor attacked the Commission on the floor of the House in picturesque fashion. Roosevelt promptly asked that Mr. Grosvenor be invited to meet him before a congressional committee which was at that moment investigating the activities of the Commission. The Congressman did not accept the invitation until he heard that Roosevelt was leaving Washington for his ranch in the West. Then he notified the committee that he would be glad to meet Commissioner Roosevelt at one of its sessions. Roosevelt immediately postponed his journey and met him. Mr. Grosvenor, says Roosevelt in his *Autobiography*, "proved to be

a person of happily treacherous memory, so that the simple expedient of arranging his statements in pairs was sufficient to reduce him to confusion." He declared to the committee, for instance, that he did not want to repeal the Civil Service Law and had never said so. Roosevelt produced one of Mr. Grosvenor's speeches in which he had said, "I will not only vote to strike out this provision, but I will vote to repeal the whole law." Grosvenor declared that there was no inconsistency between these two statements. At another point in his testimony, he asserted that a certain applicant for office, who had, as he put it, been fraudulently credited to his congressional district, had never lived in that district or in Ohio, so far as he knew. Roosevelt brought forth a letter in which the Congressman himself had categorically stated that the man in question was not only a legal resident of his district but was actually living there then. He explained, says Roosevelt, "first, that he had not written the letter; second, that he had forgotten he had written the letter; and, third, that he was grossly deceived when he wrote it." Grosvenor at length accused Roosevelt of a lack of humor in not appreciating that his statements were made "in a jesting

way," and declared that "a Congressman making a speech on the floor of the House of Representatives was perhaps in a little different position from a witness on the witness stand." Finally he rose with dignity and, asserting his constitutional right not to be questioned elsewhere as to what he said on the floor of the House, withdrew, leaving Roosevelt and the Committee equally delighted with the *opera bouffe* in which he had played the leading part.

In the Roosevelt days the Commission carried on its work, as of course it should, without thought of party. It can be imagined how it made the "good" Republicans rage when one of the results of the impartial application system was to put into office from the Southern States a hundred or two Democrats. The critics of the Commission were equally non-partisan; there was no politics in spoilsmanship. The case of Mr. Grosvenor was matched by that of Senator Gorman of Maryland, the Democratic leader in the Senate. Mr. Gorman told upon the floor of the Senate the affecting story of "a bright young man from Baltimore," a Sunday School scholar, well recommended by his pastor, who aspired to be a letter carrier. He appeared before the Commission for examination,

and, according to Mr. Gorman, he was first asked to describe the shortest route from Baltimore to China. The "bright young man" replied brightly, according to Mr. Gorman, that he didn't want to go from Baltimore to China, and therefore had never concerned himself about the choice of routes. He was then asked, according to Mr. Gorman, all about the steamship lines from America to Europe; then came questions in geology, and finally in chemistry. The Commission thereupon turned the bright young applicant down. The Senator's speech was masterly. It must have made the spoilsmen chuckle and the friends of civil service reform squirm. It had neither of these effects on Roosevelt. It merely exploded him into action like a finger on a hair-trigger. First of all, he set about hunting down the facts. Facts were his favorite ammunition in a fight. They have such a powerful punch. A careful investigation of all the examination papers which the Commission had set revealed not a single question like those from which the "bright young man," according to Mr. Gorman, had suffered. So Roosevelt wrote to the Senator asking for the name of the "bright young man." There was no response. He also asked, in case Mr. Gorman did not care to reveal

his identity, the date of the examination. Still no reply. Roosevelt offered to give to any representative whom Mr. Gorman would send to the Commission's offices all the aid he could in discovering in the files any such questions. The offer was ignored. But the Senator expressed himself as so shocked at this doubting of the word of his brilliant protégé that he was unable to answer the letter at all.

Roosevelt thereupon announced publicly that no such questions had ever been asked. Mr. Gorman was gravely injured by the whole incident. Later he declared in the Senate that he had received a "very impudent letter" from the young Commissioner, and that he had been "cruelly" called to account because he had tried to right a "great wrong" which the Commission had committed. Roosevelt's retort was to tell the whole story publicly, closing with this delightful passage:

> High-minded, sensitive Mr. Gorman. Clinging, trustful Mr. Gorman. Nothing could shake his belief in the "bright young man." Apparently he did not even try to find out his name — if he had a name; in fact, his name like everything else about him, remains to this day wrapped in the Stygian mantle of an abysmal mystery. Still less has Mr. Gorman tried to verify the statements made to him. It is enough for him that

they were made. No harsh suspicion, no stern demand for evidence or proof, appeals to his artless and unspoiled soul. He believes whatever he is told, even when he has forgotten the name of the teller, or never knew it. It would indeed be difficult to find an instance of a more abiding confidence in human nature — even in anonymous human nature. And this is the end of the tale of the Arcadian Mr. Gorman and his elusive friend, the bright young man without a name.

Even so near the beginning of his career, Roosevelt showed himself perfectly fearless in attack. He would as soon enter the lists against a Senator as a Congressman, as soon challenge a Cabinet member as either. He did not even hesitate to make it uncomfortable for the President to whom he owed his continuance in office. His only concern was for the honor of the public service which he was in office to defend.

One day he appeared at a meeting of the Executive Committee of the Civil Service Reform Association. George William Curtis was presiding, and Roosevelt's old friend, George Haven Putnam, who tells the story, was also present. Roosevelt began by hurling a solemn but hearty imprecation at the head of the Postmaster General. He went on to explain that his explosive wrath was due to the fact that that particular gentleman was

the most pernicious of all the enemies of the merit system. It was one of the functions of the Civil Service Commission, as Roosevelt saw it, to put a stop to improper political activities by Federal employees. Such activities were among the things that the Civil Service law was intended to prevent. They strengthened the hands of the political machines and the bosses, and at the same time weakened the efficiency of the service. Roosevelt had from time to time reported to the Postmaster General what some of the Post Office employees were doing in political ways to the detriment of the service. His account of what happened was this:

> I placed before the Postmaster-General sworn statements in regard to these political activities and the only reply I could secure was, "This is all second-hand evidence." Then I went up to Baltimore at the invitation of our good friend, a member of the National Committee, Charles J. Bonaparte. Bonaparte said that he could bring me into direct touch with some of the matters complained about. He took me to the primary meetings with some associate who knew by name the carriers and the customs officials. I was able to see going on the work of political assessments, and I heard the instructions given to the carriers and others in regard to the moneys that they were to collect. I got the names of some of these men recorded in my memorandum book. I then went back to Washington,

swore myself in as a witness before myself as Commissioner, and sent the sworn statement to the Postmaster-General with the word, "This at least is first-hand evidence." I still got no reply, and after waiting a few days, I put the whole material before the President with a report. This report has been pigeonholed by the President, and I have now come to New York to see what can be done to get the evidence before the public. You will understand that the head of a department, having made a report to the President, can do nothing further with the material until the President permits.

Roosevelt went back to Washington with the sage advice to ask the Civil Service Committee of the House to call upon him to give evidence in regard to the working of the Civil Service Act. He could then get into the record his first-hand evidence as well as a general statement of the bad practices which were going on. This evidence, when printed as a report of the congressional committee, could be circulated by the Association. Roosevelt bettered the advice by asking to have the Postmaster General called before the committee at the same time as himself. This was done, but that timid politician replied to the Chairman of the committee that "he would hold himself at the service of the Committee for any date

on which Mr. Roosevelt was not to be present." The politicians with uneasy consciences were getting a little wary about face-to-face encounters with the young fighter. Nevertheless Roosevelt's testimony was given and circulated broadcast, as Major Putnam writes, "much to the dissatisfaction of the Postmaster-General and probably of the President."

The six years which Roosevelt spent on the Civil Service Commission were for him years of splendid training in the methods and practices of political life. What he learned then stood him in good stead when he came to the Presidency. Those years of Roosevelt's gave an impetus to the cause of civil reform which far surpassed anything it had received until his time. Indeed, it is probably not unfair to say that it has received no greater impulse since.

CHAPTER IV

HAROUN AL ROOSEVELT

In 1895, at the age of thirty-six, Roosevelt was asked by Mayor Strong of New York City, who had just been elected on an anti-Tammany ticket, to become a member of his Administration. Mayor Strong wanted him for Street Cleaning Commissioner. Roosevelt definitely refused that office, on the ground that he had no special fitness for it, but accepted readily the Mayor's subsequent proposal that he should become President of the Police Commission, knowing that there was a job that he could do.

There was plenty of work to be done in the Police Department. The conditions under which it must be done were dishearteningly unfavorable. In the first place, the whole scheme of things was wrong. The Police Department was governed by one of those bi-partisan commissions which well-meaning theorists are wont sometimes to set up when they

think that the important thing in government is to have things arranged so that nobody can do anything harmful. The result often is that nobody can do anything at all. There were four Commissioners, two supposed to belong to one party and two to the other. There was also a Chief of Police, appointed by the Commission, who could not be removed without a trial subject to review by the courts. The scheme put a premium on intriguing and obstruction. It was far inferior to the present plan of a single Commissioner with full power, subject only to the Mayor who appoints him.

But there is an interesting lesson to be learned from a comparison between the New York Police Department as it is today and as it was twenty-five years ago. Then the scheme of organization was thoroughly bad — and the department was at its high-water mark of honest and effective activity. Now the scheme of organization is excellent — but the less said about the way it works the better. The answer to the riddle is this: today the New York police force is headed by Tammany; the name of the particular Tammany man who is Commissioner does not matter. In those days the head was Roosevelt.

There were many good men on the force then as

now. What Roosevelt said of the men of his time is as true today: "There are no better men anywhere than the men of the New York police force; and when they go bad it is because the system is wrong, and because they are not given the chance to do the good work they can do and would rather do." The first fight that Roosevelt found on his hands was to keep politics and every kind of favoritism absolutely out of the force. During his six years as Civil Service Commissioner he had learned much about the way to get good men into the public service. He was now able to put his own theories into practice. His method was utterly simple and incontestably right. "As far as was humanly possible, the appointments and promotions were made without regard to any question except the fitness of the man and the needs of the service." That was all. "We paid," he said, "not the slightest attention to a man's politics or creed, or where he was born, so long as he was an American citizen." But it was not easy to convince either the politicians or the public that the Commission really meant what it said. In view of the long record of unblushing corruption in connection with every activity in the Police Department, and of the existence, which was a matter of

common knowledge, of a regular tariff for appointments and promotions, it is little wonder that the news that every one on, or desiring to get on, the force would have a square deal was received with scepticism. But such was the fact. Roosevelt brought the whole situation out into the open, gave the widest possible publicity to what the Commission was doing, and went hotly after any intimation of corruption.

One secret of his success here as everywhere else was that he did things himself. He knew things of his own knowledge. One evening he went down to the Bowery to speak at a branch of the Young Men's Christian Association. There he met a young Jew, named Raphael, who had recently displayed unusual courage and physical prowess in rescuing women and children from a burning building. Roosevelt suggested that he try the examination for entrance to the force. Young Raphael did so, was successful, and became a policeman of the best type. He and his family, said Roosevelt, "have been close friends of mine ever since." Another comment which he added is delicious and illuminating: "To show our community of feeling and our grasp of the facts of life, I may mention that we were almost the only men in the

Police Department who picked Fitzsimmons as a winner against Corbett." There is doubtless much in this little incident shocking to the susceptibilities of many who would consider themselves among the "best" people. But Roosevelt would care little for that. He was a real democrat; and to his great soul there was nothing either incongruous or undesirable in having — and in admitting that he had — close friends in an East Side Jewish family just over from Russia. He believed, too, in "the strenuous life," in boxing and in prize fighting when it was clean. He could meet a subordinate as man to man on the basis of such a personal matter as their respective judgment of two prize fighters, without relaxing in the slightest degree their official relations. He was a man of realities, who knew how to preserve the real distinctions of life without insisting on the artificial ones.

One of the best allies that Roosevelt had was Jacob A. Riis, that extraordinary man with the heart of a child, the courage of a lion, and the spirit of a crusader, who came from Denmark as an immigrant, tramped the streets of New York and the country roads without a place to lay his head, became one of the best police reporters New York ever knew, and grew to be a flaming force for

righteousness in the city of his adoption. His book, *How the Other Half Lives*, did more to clean up the worst slums of the city than any other single thing. When the book appeared, Roosevelt went to Mr. Riis's office, found him out, and left a card which said simply, "I have read your book. I have come down to help." When Roosevelt became Police Commissioner, Riis was in the *Tribune* Police Bureau in Mulberry Street, opposite Police Headquarters, already a well valued friend. Roosevelt took him for guide, and together they tramped about the dark spots of the city in the night hours when the underworld slips its mask and bares its arm to strike. Roosevelt had to know for himself. He considered that he had two duties as Police Commissioner: one to make the police force an honest and effective public servant; the other to use his position "to help in making the city a better place in which to live and work for those to whom the conditions of life and labor were hardest." These night wanderings of "Haroun al Roosevelt," as some one successfully ticketed him in allusion to the great Caliph's similar expeditions, were powerful aids to the tightening up of discipline and to the encouragement of good work by patrolmen and roundsmen. The unfaithful or the easy-going man

on the beat, who allowed himself to be beguiled by the warmth and cheer of a saloon back-room, or to wander away from his duty for his own purposes, was likely to be confronted by the black slouch hat and the gleaming spectacles of a tough-set figure that he knew as the embodiment of relentless justice. But the faithful knew no less surely that he was their best friend and champion.

In the old days of "the system," not only appointment to the force and promotion, but recognition of exceptional achievement went by favor. The policeman who risked his life in the pursuit of duty and accomplished some big thing against great odds could not be sure of the reward to which he was entitled unless he had political pull. It was even the rule in the Department that the officer who spoiled his uniform in rescuing man, woman, or child from the waters of the river must get a new one at his own expense. "The system" knew neither justice nor fair play. It knew nothing but the cynical phrase of Richard Croker, Tammany Hall's famous boss, "my own pocket all the time." But Roosevelt changed all that. He had not been in Mulberry Street a month before that despicable rule about the uniform was blotted out. His whole term of office on the Police Board was marked by

acts of recognition of bravery and faithful service. Many times he had to dig the facts out for himself or ran upon them by accident. There was no practice in the Department of recording the good work done by the men on the force so that whoever would might read.

Roosevelt enjoyed this part of his task heartily. He believed vigorously in courage, hardihood, and daring. What is more, he believed with his whole soul in men. It filled him with pure joy when he discovered a man of the true stalwart breed who held his own life as nothing when his duty was at stake.

During his two years' service, he and his fellow Commissioners singled out more than a hundred men for special mention because of some feat of heroism. Two cases which he describes in his *Autobiography* are typical of the rest. One was that of an old fellow, a veteran of the Civil War, who was a roundsman. Roosevelt noticed one day that he had saved a woman from drowning and called him before him to investigate the matter. The veteran officer was not a little nervous and agitated as he produced his record. He had grown gray in the service and had performed feat after feat of heroism; but his complete lack of political

backing had kept him from further promotion. In twenty-two years on the force he had saved some twenty-five persons from drowning, to say nothing of rescuing several from burning buildings. Twice Congress had passed special acts to permit the Secretary of the Treasury to give him a medal for distinguished gallantry in saving life. He had received other medals from the Life Saving Society and from the Police Department itself. The one thing that he could not achieve was adequate promotion, although his record was spotless. When Roosevelt's attention was attracted to him, he received his promotion then and there. "It may be worth mentioning," says Roosevelt, "that he kept on saving life after he was given his sergeantcy."

The other case was that of a patrolman who seemed to have fallen into the habit of catching burglars. Roosevelt noticed that he caught two in successive weeks, the second time under unusual conditions. The policeman saw the burglar emerging from a house soon after midnight and gave chase. The fugitive ran toward Park Avenue. The New York Central Railroad runs under that avenue, and there is a succession of openings in the top of the tunnel. The burglar took a desperate chance by dropping through one of the openings.

at the imminent risk of breaking his neck. "Now the burglar," says Roosevelt, "was running for his liberty, and it was the part of wisdom for him to imperil life and limb; but the policeman was merely doing his duty, and nobody could have blamed him for not taking the jump. However, he jumped; and in this particular case the hand of the Lord was heavy upon the unrighteous. The burglar had the breath knocked out of him, and the 'cop' didn't. When his victim could walk, the officer trotted him around to the station house." When Roosevelt had discovered that the patrolman's record showed him to be sober, trustworthy, and strictly attentive to duty, he secured his promotion at once.

So the Police Commission, during those two years, under the driving force of Roosevelt's example and spirit, went about the regeneration of the force whose former proud title of "The Finest" had been besmirched by those who should have been its champions and defenders. Politics, favoritism, and corruption were knocked out of the department with all the thoroughness that the absurd bi-partisan scheme of administration would permit.

The most spectacular fight of all was against the

illegal operations of the saloons. The excise law forbade the sale of liquor on Sunday. But the police, under orders from "higher up," enforced the law with discretion. The saloons which paid blackmail, or which enjoyed the protection of some powerful Tammany chieftain, sold liquor on Sunday with impunity. Only those whose owners were recalcitrant or without influence were compelled to obey the law.

Now a goodly proportion of the population of New York, as of any great city, objects strenuously to having its personal habits interfered with by the community. This is just as true now in the days of prohibition as it was then in the days of "Sunday closing." So when Roosevelt came into office with the simple, straightforward conviction that laws on the statute books were intended to be enforced and proceeded to close all the saloons on Sunday, the result was inevitable. The professional politicians foamed at the mouth. The yellow press shrieked and lied. The saloon-keepers and the sharers of their illicit profits wriggled and squirmed. But the saloons were closed. The law was enforced without fear or favor. The Sunday sale of liquor disappeared from the city, until a complaisant judge, ruling upon the provision of the

law which permitted drink to be sold with a meal, decreed that one pretzel, even when accompanied by seventeen beers, made a "meal." No amount of honesty and fearlessness in the enforcement of the law could prevail against such judicial aid and comfort to the cause of nullification. The main purpose of Roosevelt's fight for Sunday closing, the stopping of blackmail, was, however, achieved. A standard of law enforcement was set which shows what can be done even with an unpopular law, and in New York City itself, if the will to deal honestly and without cowardice is there.

So the young man who was "ever a fighter" went on his way, fighting evil to the death wherever he found it, achieving results, making friends eagerly and enemies blithely, learning, broadening, growing. Already he had made a distinct impression upon his times.

CHAPTER V

FIGHTING AND BREAKFASTING WITH PLATT

FROM the New York Police Department Roosevelt was called by President McKinley to Washington in 1897, to become Assistant Secretary of the Navy. After a year there — the story of which belongs elsewhere in this volume — he resigned to go to Cuba as Lieutenant-Colonel of the Rough Riders. He was just as prominent in that war for liberty and justice as the dimensions of the conflict permitted. He was accustomed in after years to say with deprecating humor, when talking to veterans of the Civil War, "It wasn't much of a war, but it was all the war we had." It made him Governor of New York.

When he landed with his regiment at Montauk Point from Cuba, he was met by two delegations. One consisted of friends from his own State who were political independents; the other came from the head of the Republican political machine.

Both wanted him as a candidate for Governor. The independents were anxious to have him make a campaign against the Old Guard of both the standard parties, fighting Richard Croker, the cynical Tammany boss, on the one side, and Thomas C. Platt, the "easy boss" of the Republicans, on the other. Tom Platt did not want him at all. But he did want to win the election, and he knew that he must have something superlatively fine to offer, if he was to have any hope of carrying the discredited Republican party to victory. So he swallowed whatever antipathy he may have had and offered the nomination to Roosevelt. This was before the days when the direct primary gave the plain voters an opportunity to upset the calculations of a political boss.

Senator Platt's emissary, Lemuel Ely Quigg, in a two hours' conversation in the tent at Montauk, asked some straight-from-the-shoulder questions. The answers he received were just as unequivocal. Mr. Quigg wanted a plain statement as to whether or not Roosevelt wanted the nomination. He wanted to know what Roosevelt's attitude would be toward the organization in the event of his election, whether or not he would "make war" on Mr. Platt and his friends, or whether he would

confer with them and give fair consideration to their point of view as to party policy and public interest. In short, he wanted a frank definition of Roosevelt's attitude towards existing party conditions. He got precisely that. Here it is, in Roosevelt's own words:

I replied that I should like to be nominated, and if nominated would promise to throw myself into the campaign with all possible energy. I said that I should not make war on Mr. Platt or anybody else if war could be avoided; that what I wanted was to be Governor and not a faction leader; that I certainly would confer with the organization men, as with everybody else who seemed to me to have knowledge of and interest in public affairs, and that as to Mr. Platt and the organization leaders, I would do so in the sincere hope that there might always result harmony of opinion and purpose; but that while I would try to get on well with the organization, the organization must with equal sincerity strive to do what I regarded as essential for the public good; and that in every case, after full consideration of what everybody had to say who might possess real knowledge of the matter, I should have to act finally as my own judgment and conscience dictated and administer the State government as I thought it ought to be administered. . . . I told him to tell the Senator that while I would talk freely with him, and had no intention of becoming a factional leader with a personal organization, yet I must have direct personal relations with everybody, and get their

views at first hand whenever I so desired, because I could not have one man speaking for all.[1]

This was straight Roosevelt talk. It was probably the first time that the "easy boss" had received such a response to his overtures. History does not record how he liked it; but at least he accepted it. Subsequent events suggest that he was either unwilling to believe or incapable of understanding that the Colonel of the Rough Riders meant precisely what he said. But Platt found out his mistake. He was not the first or the last politician to have that experience.

So Roosevelt was nominated, made a gruelling campaign, was elected by a small but sufficient majority, in a year when any other Republican candidate would probably have been "snowed under," and became Governor seventeen years after he entered public life. He was now forty years old.

The governorship of Theodore Roosevelt was marked by a deal of fine constructive legislation and administration. But it was even more notable for the new standard which it set for the relationship in which the executive of a great State

[1] *Autobiography* (Scribner), pp. 271–72.

should stand to his office, to the public welfare, to private interests, and to the leaders of his party. Before Roosevelt's election there was need for a revision of the standard. In those days it was accepted as a matter of course, at least in practice, that the party boss was the overlord of the constitutional representatives of the people. Appointments were made primarily for the good of the party and only incidentally in the public interest. The welfare of the party was closely bound up with the profit of special interests, such as public service corporations and insurance companies. The prevalent condition of affairs was shrewdly summed up in a satiric paraphrase of Lincoln's conception of the American ideal: "Government of the people, by the bosses, for the special interests." The interests naturally repaid this zealous care for their well-being by contributions to the party funds.

Platt was one of the most nearly absolute party bosses that the American system of machine politics has produced. In spite of the fair warning which he had already received, both directly from Roosevelt's own words, and indirectly from his whole previous career, he was apparently surprised and unquestionably annoyed when he found that he was not to be the new Governor's master. The

trouble began before Roosevelt took office. At a conference one day Platt asked Roosevelt if there were any members of the Assembly whom he would like to have assigned to special committees. Roosevelt was surprised at the question, as he had not known that the Speaker of the Assembly, who appoints the committees, had yet been agreed upon by the Assemblymen-elect. He expressed his surprise. But Mr. Platt enlightened him, saying, "Of course, whoever we choose as Speaker will agree beforehand to make the appointments we wish." Roosevelt has recorded the mental note which he thereupon made, that if they tried the same process with the Governor-elect they would find themselves mistaken. In a few days they did try it — and discovered their mistake.

Platt asked Roosevelt to come to see him. The Senator being an old and physically feeble man, Roosevelt went. Platt handed him a telegram from a certain man, accepting with pleasure his appointment as Superintendent of Public Works. This was one of the most important appointive offices in the State Administration. It was especially so at this time in view of the scandals which had arisen under the previous Administration over the Erie Canal, the most important

responsibility of this department. Now, the man whom the boss had picked out was an excellent fellow, whom Roosevelt liked and whom, incidentally, he later appointed to an office which he filled in admirable fashion. But Roosevelt had no intention of having any one but himself select the members of his Administration. He said so frankly and simply. The Senator raged. He was unaccustomed to such independence of spirit. Roosevelt was courteous but firm. The irresistible force had met the immovable obstacle — and the force capitulated. The telegraphic acceptance was not accepted. The appointment was not made.

Mr. Platt was a wise man, even if he was arrogant. He knew when he had met one whom he could not drive. So he did not break with the new Governor. Roosevelt was wise, too, although he was honest. So he did not break with the "easy boss." His failure to do so was a disappointment to his impractical friends and supporters, who were more concerned with theoretical goodness than with achievement.

Roosevelt worked with Platt and the party machine whenever he could. He fought only when he must. When he fought, he won. In Senator Platt's *Autobiography*, the old boss paid this tribute

to the young fighter whom he had made Governor: "Roosevelt had from the first agreed that he would consult me on all questions of appointments, Legislature or party policy. He religiously fulfilled this pledge, although he frequently did just what he pleased."

One of the things that particularly grieved the theoretical idealists and the chronic objectors was the fact that Roosevelt used on occasion to take breakfast with Senator Platt. They did not seem to think it possible that a Governor could accept the hospitality of a boss without taking orders from him. But Mr. Platt knew better, if they did not. He was never under any illusions as to the extent of his influence with Roosevelt. It vanished precisely at the point where the selfish interests of the party and the wishes of the boss collided with the public welfare. The facts about the famous breakfasts are plain enough. The Governor was in Albany, the Senator in Washington. Both found it easy to get to New York on Saturday, It was natural that they should from time to time have matters to discuss; for both were leaders in their party. Mr. Platt was a feeble man, who found it difficult to get about. Roosevelt was a chivalrous man, who believed that courtesy and

consideration were due to age and weakness. In addition, he liked to make every minute count. So he used to go, frankly and openly, to the Senator's hotel for breakfast. He was not one of that class which he has described as composed of "solemn reformers of the tom-fool variety, who, according to their custom, paid attention to the name and not the thing." He cared only for the reality; the appearance mattered little to him.

The tom-fool reformers who criticized Roosevelt for meeting Platt at breakfast were not even good observers. If they had been, they would have realized that when Roosevelt breakfasted with Platt, it generally meant that he was trying to reconcile the Senator to something he was going to do which the worthy boss did not like. For instance, Roosevelt once wrote to Platt, who was trying to get him to promote a certain judge over the head of another judge: "There is a strong feeling among the judges and the leading members of the bar that Judge Y ought not to have Judge X jumped over his head, and I do not see my way clear to doing it. I am inclined to think that the solution I mentioned to you is the solution I shall have to adopt. Remember the breakfast at Douglas Robinson's at 8.30." It is probable that the

Governor enjoyed that breakfast more than did the Senator. So it usually was with the famous breakfasts. "A series of breakfasts was always the prelude to some active warfare."

For Roosevelt and Platt still had their pitched battles. The most epic of them all was fought over the reappointment of the State Superintendent of Insurance. The incumbent was Louis F. Payn, a veteran petty boss from a country district and one of Platt's right-hand men. Roosevelt discovered that Payn had been involved in compromising relations with certain financiers in New York with whom he "did not deem it expedient that the Superintendent of Insurance, while such, should have any intimate and money-making relations." The Governor therefore decided not to reappoint him. Platt issued an ultimatum that Payn must be reappointed or he would fight. He pointed out that in case of a fight Payn would stay in anyway, since the consent of the State Senate was necessary not only to appoint a man to office but to remove him from office. The Governor replied cheerfully that he had made up his mind and that Payn would not be retained. If he could not get his successor confirmed, he would make the appointment as soon as the Legislature adjourned.

and the appointment would stand at least until the Legislature met again. Platt declared in turn that Payn would be reinstated as soon as the Legislature reconvened. Roosevelt admitted the possibility, but assured his opponent that the process would be repeated as soon as that session came to an end. He added his conviction that, while he might have an uncomfortable time himself, he would guarantee that his opponents would be made more uncomfortable still. Thus the matter stood in the weeks before final action could be taken. Platt was sure that Roosevelt must yield. But once more he did not know his man. It is curious how long it takes feudal overlords to get the measure of a fearless free man.

The political power which the boss wielded was reinforced by pressure from big business interests in New York. Officials of the large insurance companies adopted resolutions asking for Payn's reappointment. But some of them privately and hastily assured the Governor that these resolutions were for public consumption only, and that they would be delighted to have Payn superseded. Roosevelt strove to make it clear again and again that he was not fighting the organization as such, and announced his readiness to appoint any

one of several men who were good organization men — only he would not retain Lou Payn nor appoint any man of his type. The matter moved along to the final scene, which took place at the Union League Club in New York.

Mr. Platt's chief lieutenant asked for a meeting with the Governor. The request was granted. The emissary went over the ground thoroughly. He declared that Platt would never yield. He explained that he was certain to win the fight, and that he wished to save Roosevelt from such a lamentable disaster as the end of his political career. Roosevelt again explained at length his position. After half an hour he rose to go. The "subsequent proceedings" he described as follows:

My visitor repeated that I had this last chance, and that ruin was ahead of me if I refused it; whereas, if I accepted, everything would be made easy. I shook my head and answered, "There is nothing to add to what I have already said." He responded, "You have made up your mind?" and I said, "I have." He then said, "You know it means your ruin?" and I answered, "Well, we will see about that," and walked toward the door. He said, "You understand, the fight will begin tomorrow and will be carried on to the bitter end." I said, "Yes," and added, as I reached the door, "Good night." Then, as the door opened my opponent, or visitor, whichever one chooses to call him, whose face

was as impassive and as inscrutable as that of Mr. John Hamlin in a poker game, said: "Hold on! We accept. Send in so-and-so (the man I had named). The Senator is very sorry, but he will make no further opposition!" I never saw a bluff carried more resolutely through to the final limit.[1]

One other Homeric fight with the machine was Roosevelt's portion during his Governorship. This time it was not directly with the boss himself but with the boss's liegemen in the Legislature. But the kernel of the whole matter was the same — the selfish interests of big corporations against the public good.

In those days corporations were by common practice privileged creatures. They were accustomed to special treatment from legislatures and administrations. But when Roosevelt was elected Governor, he was determined that no corporation should get a valuable privilege from the State without paying for it. Before long he had become convinced that they ought also to pay for those which they already had, free gifts of the State in those purblind days when corporations were young and coddled. He proposed that public service corporations doing business on franchises granted

[1] *Autobiography* (Scribner), pp. 293–94.

by the State and by municipalities should be taxed upon the value of the privileges they enjoyed. The corporations naturally enough did not like the proposal. But it was made in no spirit or tone of antagonism to business or of demagogic outcry against those who were prosperous. All that the Governor demanded was a square deal. In his message to the Legislature, he wrote as follows:

There is evident injustice in the light taxation of corporations. I have not the slightest sympathy with the outcry against corporations as such, or against prosperous men of business. Most of the great material works by which the entire country benefits have been due to the action of individual men, or of aggregates of men, who made money for themselves by doing that which was in the interest of the people as a whole. From an armor plant to a street railway, no work which is really beneficial to the public can be performed to the best advantage of the public save by men of such business capacity that they will not do the work unless they themselves receive ample reward for doing it. The effort to deprive them of an ample reward merely means that they will turn their energies in some other direction; and the public will be just so much the loser. . . . But while I freely admit all this, it yet remains true that a corporation which derives its powers from the State should pay to the State a just percentage of its earnings as a return for the privileges it enjoys.

This was quietly reasonable and uninflammatory doctrine. But the corporations would have none of it. The Republican machine, which had a majority in the Legislature, promptly repudiated it as well. The campaign contributions from the corporations were too precious to be jeopardized by legislation which the corporations did not want. The Governor argued, pleasantly and cheerfully. The organization balked sullenly. The corporations grinned knowingly. They had plenty of money with which to kill the bill, but they did not need to use it. The machine was working smoothly in their behalf. The bill was introduced and referred to a committee, and there it lay. No amount of argument and persuasion that the Governor could bring to bear availed to bring the bill out of hiding. So he sent in a special message, on almost the last day of the session. According to the rules of the New York Assembly, when the Governor sends in a special message on a given measure, the bill must be reported out and given consideration. But the machine was dazzled with its own arrogance. The Speaker would not have the message read. Some one actually tore it up.

This was more than a crime — it was a blunder. The wise ones in the organization realized it. They

had no desire to have the Governor appeal to the people with his torn message in his hand. Roosevelt saw the error too, and laughed happily. He wrote another message and sent it over with the curt statement that, if it were not read forthwith, he would come over and read it himself. They knew that he would! So the Speaker read the message, and the bill was reported and hastily passed on the last day of the session.

Then the complacent corporations woke up. They had trusted the machine too far. What was more, they had underestimated the Governor's striking power. Now they came to him, hat in hand, and suggested some fault in the bill. He agreed with them. They asked if he would not call a special session to amend the bill. Again he agreed. The session was called, and the amendments were proposed. In addition, however, certain amendments that would have frustrated the whole purpose of the bill were suggested. The organization, still at its old tricks, tried to get back into its possession the bill already passed. But the Governor was not easily caught napping. He knew as well as they did that possession of the bill gave him the whip hand. He served notice that the second bill would contain precisely the

amendments agreed upon and no others. Otherwise he would sign the first bill and let it become law, with all its imperfections on its head. Once more the organization and the corporations emulated Davy Crockett's coon and begged him not to shoot, for they would come down. The amended bill was passed and became law. But there was an epilogue to this little drama. The corporations proceeded to attack the constitutionality of the law on the ground of the very amendment for which they had so clamorously pleaded. But they failed. The Supreme Court of the United States, after Roosevelt had become President, affirmed the constitutionality of the law.

The spectacular events of Roosevelt's governorship were incidents in this conflict between two political philosophies, the one held by Platt and his tribe, the other by Roosevelt. Extracts from two letters exchanged by the Senator and the Governor bring the contrast between these philosophies into clear relief. Platt wrote as follows:

> When the subject of your nomination was under consideration, there was one matter that gave me real anxiety. . . . I had heard from a good many sources that you were a little loose on the relations of capital and labor, on trusts and combinations, and, indeed, on

those numerous questions which have recently arisen in politics affecting the security of earnings and the right of a man to run his business in his own way, with due respect, of course, to the Ten Commandments and the Penal Code. Or, to get at it even more clearly, I understood from a number of business men, and among them many of your own personal friends, that you entertained various altruistic ideas, all very well in their way, but which before they could safely be put into law needed very profound consideration.[1]

Roosevelt replied that he had known very well that the Senator had just these feelings about him, and then proceeded to set forth his own view of the matter. With his usual almost uncanny wisdom in human relations, he based his argument on party expediency, which he knew Platt would comprehend, rather than on abstract considerations of right and wrong, in which realm the boss would be sure to feel rather at sea. He wrote thus:

I know that when parties divide on such issues [as Bryanism] the tendency is to force everybody into one of two camps, and to throw out entirely men like myself, who are as strongly opposed to Populism in every stage as the greatest representative of corporate wealth but who also feel strongly that many of these representatives of enormous corporate wealth have themselves been responsible for a portion of the conditions against

[1] Roosevelt, *Autobiography* (Scribner), p. 299.

which Bryanism is in ignorant revolt. I do not believe that it is wise or safe for us as a party to take refuge in mere negation and to say that there are no evils to be corrected. It seems to me that our attitude should be one of correcting the evils and thereby showing that whereas the Populists, Socialists, and others do not correct the evils at all, or else do so at the expense of producing others in aggravated form, on the contrary we Republicans hold the just balance and set ourselves as resolutely against improper corporate influence on the one hand as against demagogy and mob rule on the other.[1]

This was the fight that Roosevelt was waging in every hour of his political career. It was a middle-of-the-road fight, not because of any timidity or slack-fibered thinking which prevented a committal to one extreme or the other, but because of a stern conviction that in the golden middle course was to be found truth and the right. It was an inevitable consequence that first one side and then the other — and sometimes both at once — should attack him as a champion of the other. It became a commonplace of his experience to be inveighed against by reformers as a reactionary and to be assailed by conservatives as a radical. But this paradoxical experience did not disturb him at all.

[1] Roosevelt, *Autobiography* (Scribner), p. 300.

He was concerned only to have the testimony of his own mind and conscience that he was right.

The contests which he had as Governor were spectacular and exhilarating; but they did not fill all the hours of his working days. A tremendous amount of spade work was actually accomplished. For example, he brought about the reënactment of the Civil Service Law, which under his predecessor had been repealed, and put through a mass of labor legislation for the betterment of conditions under which the workers carried on their daily lives. This legislation included laws to increase the number of factory inspectors, to create a tenement-house commission, to regulate sweatshop labor, to make the eight-hour and prevailing rate of wages law effective, to compel railways to equip freight trains with air brakes, to regulate the working hours of women, to protect women and children from dangerous machinery, to enforce good scaffolding provisions for workmen on buildings, to provide seats for the use of waitresses in hotels and restaurants, to reduce the hours of labor for drug-store clerks, to provide for the registration of laborers for municipal employment. He worked hard to secure an employers' liability law, but the time for this was not yet come.

Many of these reforms are now matters of course that no employer would think of attempting to eliminate. But they were new ideas then; and it took vision and courage to fight for them.

Roosevelt would have been glad to be elected Governor for a second term. But destíny, working through curious instruments, would not have it so. He left behind him in the Empire State, not only a splendid record of concrete achievement but something more than that. Jacob Riis has told how, some time after, an old State official at Albany, who had seen many Governors come and go, revealed this intangible something. Mr. Riis had said to him that he did not eare much for Albany since Roosevelt had gone, and his friend replied: "Yes, we think so, many of us. The place seemed dreary when he was gone. But I know now that he left something behind that was worth our losing him to get. This past winter, for the first time, I heard the question spring up spontaneously, as it seemed, when a measure was up in the Legislature: 'Is it right?' Not 'Is it expedient?' not 'How is it going to help me?' not 'What is it worth to the party?' Not any of these, but 'Is it right?' That is Roosevelt's legacy to Albany. And it was worth his coming and his going to have that."

CHAPTER VI

ROOSEVELT BECOMES PRESIDENT

There was chance in Theodore Roosevelt's coming into the Presidency as he did, but there was irony as well. An evil chance dropped William McKinley before an assassin's bullet; but there was a fitting irony in the fact that the man who must step into his place had been put where he was in large measure by the very men who would least like to see him become President.

The Republican convention of 1900 was a singularly unanimous body. President McKinley was renominated without a murmur of dissent. But there was no Vice-President to renominate, as Mr. Hobart had died in office. There was no logical candidate for the second place on the ticket. Senator Platt, however, had a man whom he wanted to get rid of, since Governor Roosevelt had made himself *persona non grata* alike to the machine politicians of his State and to the corporations

allied with them. The Governor, however, did not propose to be disposed of so easily. His reasons were characteristic. He wrote thus to Senator Platt about the matter:

> I can't help feeling more and more that the Vice-Presidency is not an office in which I could do anything and not an office in which a man who is still vigorous and not past middle life has much chance of doing anything. . . . Now, I should like to be Governor for another term, especially if we are able to take hold of the canals in serious shape. But, as Vice-President, I don't see there is anything I can do. I would be simply a presiding officer, and that I should find a bore.

Now Mr. Platt knew that nothing but "sidetracking" could stop another nomination of Roosevelt for the Governorship, and this Rough Rider was a thorn in his flesh. So he went on his subterranean way to have him nominated for the most innocuous political berth in the gift of the American people. He secured the coöperation of Senator Quay of Pennsylvania and another boss or two of the same indelible stripe; but all their political strength would not have accomplished the desired result without assistance from quite a different source. Roosevelt had already achieved great popularity in the Middle and the Far West for the

very reasons which made Mr. Platt want him out of the way. So, while the New York boss and his acquiescent delegates were estopped from presenting his name to the convention by Roosevelt's assurance that he would fight *à l'outrance* any movement from his own State to nominate him, other delegates took matters into their own hands and the nomination was finally made unanimously.

Roosevelt gave great strength to the Republican ticket in the campaign which followed. William Jennings Bryan was again the Democratic candidate, but the "paramount issue" of his campaign had changed since four years before from free silver to anti-imperialism. President McKinley, according to his custom, made no active camepaign; but Bryan and Roosevelt competed with each other in whirlwind speaking tours from one end of the country to the other. The war-cry of the Republicans was the "full dinner pail"; the keynote of Bryan's bid for popular support was opposition to the Republican policy of expansion and criticism of Republican tendencies toward plutocratic control. The success of the Republican ticket was overwhelming; McKinley and Roosevelt received nearly twice as many electoral votes as Bryan and Stevenson.

When President McKinley was shot at Buffalo six months after his second term began, it looked for a time as though he would recover. So Roosevelt, after an immediate visit to Buffalo, went to join his family in the Adirondacks. The news of the President's impending death found him out in the wilderness on the top of Mount Tahawus, not far from the tiny Lake Tear-of-the-Clouds, the source of the Hudson River. A ten-mile dash down the mountain trail, in the course of which he outstripped all his companions but one; a wild forty-mile drive through the night to the railroad, the new President and his single companion changing the horses two or three times with their own hands; a fast journey by special train across the State — and on the evening of September 14, 1901, Theodore Roosevelt took the oath of office as the twenty-sixth President of the United States.

Before taking the oath, Roosevelt announced that it would be his aim "to continue absolutely unbroken the policy of President McKinley for the peace, prosperity, and honor of our beloved country." He immediately asked every member of the late President's Cabinet to continue in office. The Cabinet was an excellent one, and Mr.

Roosevelt found it necessary to make no other changes than those that came in the ordinary course of events. The policies were not altered in broad general outline, for Roosevelt was as stalwart a Republican as McKinley himself, and was as firmly convinced of the soundness of the fundamentals of the Republican doctrine.

But the fears of some of his friends that Roosevelt would seem, if he carried out his purpose of continuity, "a pale copy of McKinley" were not justified in the event. They should have known better. A copy of any one Roosevelt could neither be nor seem, and "pale" was the last epithet to be applied to him with justice. It could not be long before the difference in the two Administrations would appear in unmistakable terms. The one which had just passed was first of all a party Administration and secondly a McKinley Administration. The one which followed was first, last, and all the time a Roosevelt Administration. "Where Macgregor sits, there is the head of the table." Not because Roosevelt consciously willed it so, but because the force and power and magnetism of his vigorous mind and personality inevitably made it so. McKinley had been a great harmonizer. "He oiled the machinery of government

with loving and imperturbable patience," said an observer of his time, "and the wheels ran with an ease unknown since Washington's first term of office." It had been a constant reproach of the critics of the former President that "his ear was always to the ground." But he kept it there because it was his sincere conviction that it belonged there, ready to apprize him of the vibrations of the popular will. Roosevelt was the born leader with an innate instinct of command. He did not scorn or flout the popular will; he had too confirmed a conviction of the sovereign right of the people to rule for that. But he did not wait pusillanimously for the popular mind to make itself up; he had too high a conception of the duty of leadership for that. He esteemed it his peculiar function — as the man entrusted by a great people with the headship of their common affairs — to lead the popular mind, to educate it, to inspire it, sometimes to run before it in action, serene in the confidence that tardy popular judgment would confirm the rightness of the deed.

By the end of Roosevelt's first Administration two of the three groups that had taken a hand in choosing him for the Vice-Presidency were thoroughly sick of their bargain. The machine politicians

and the great corporations found that their cunning plan to stifle with the wet blanket of that depressing office the fires of his moral earnestness and pugnacious honesty had overreached itself. Fate had freed him and, once freed, he was neither to hold nor to bind. It was less than two years before Wall Street was convinced that he was "unsafe," and sadly shook its head over his "impetuosity." When Wall Street stamps a man "unsafe," the last word in condemnation has been said. It was an even shorter time before the politicians found him unsatisfactory. "The breach between Mr. Roosevelt and the politicians was, however, inevitable. His rigid insistence upon the maintenance and the extension of the merit system alone assured the discontent which precedes dislike," wrote another observer. "The era of patronage mongering in the petty offices ceased suddenly, and the spoilsmen had the right to say that in this respect the policy of McKinley had not been followed." It was true. When Roosevelt became President the civil service was thoroughly demoralized. Senators and Congressmen, by tacit agreement with the executive, used the appointing power for the payment of political debts, the reward of party services, the strengthening of

their personal "fences." But within three months it was possible to say with absolute truth that "a marvelous change has already been wrought in the morale of the civil service." At the end of Roosevelt's first term an unusually acute and informed foreign journalist was moved to write, "No President has so persistently eliminated politics from his nominations, none has been more unbending in making efficiency his sole test."

There was the kernel of the whole matter: the President's insistence upon efficiency. Roosevelt, however, did not snatch rudely away from the Congressmen and Senators the appointing power which his predecessors had allowed them gradually to usurp. He continued to consult each member of the Congress upon appointments in that member's State or district and merely demanded that the men recommended for office should be honest, capable, and fitted for the places they were to fill.

President Roosevelt was not only ready and glad to consult with Senators but he sought and often took the advice of party leaders outside of Congress, and even took into consideration the opinions of bosses. In New York, for instance, the two Republican leaders, Governor Odell and Senator Platt, were sometimes in accord and sometimes

in disagreement, but each was always desirous of being consulted. A letter written by Roosevelt in the middle of his first term to a friendly Congressman well illustrates his theory and practice in such cases:

> I want to work with Platt. I want to work with Odell. I want to support both and take the advice of both. But, of course, ultimately I must be the judge as to acting on the advice given. When, as in the case of the judgeship, I am convinced that the advice of both is wrong, I shall act as I did when I appointed Holt. When I can find a friend of Odell's like Cooley, who is thoroughly fit for the position I desire to fill, it gives me the greatest pleasure to appoint him. When Platt proposes to me a man like Hamilton Fish, it is equally a pleasure to appoint him.

This high-minded and common-sense course did not, however, seem to please the politicians, for dyed-in-the-wool politicians are curious persons to whom half a loaf is no consolation whatever, even when the other half of the loaf is to go to the people — without whom there would be no politics at all. Strangely enough, Roosevelt's policy was equally displeasing to those of the doctrinaire reformer type, to whom there is no word in the language more distasteful than "politician," unless it be the word "practical." But there was one class to whom the results of this common-sense

brand of political action were eminently satisfactory, and this class made up the third group that had a part in the selection of Theodore Roosevelt for the Vice-Presidency. The plain people, especially in the more westerly portions of the country, were increasingly delighted with the honesty, the virility, and the effectiveness of the Roosevelt Administration. Just before the convention which was to nominate Roosevelt for the Presidency to succeed himself, an editorial writer expressed the fact thus: "The people at large are not oblivious of the fact that, while others are talking and carping, Mr. Roosevelt is carrying on in the White House a persistent and never-ending moral struggle with every powerful selfish and exploiting interest in the country."

Oblivious of it? They were acutely conscious of it. They approved of it with heartiness. They liked it so well that, when the time came to nominate and elect another President, they swept aside with a mighty rush not only the scruples and antagonisms of the Republican politicians and the "special interests" but party lines as well, and chose Roosevelt with a unanimous voice in the convention and a majority of two and a half million votes at the polls.

As President, Theodore Roosevelt achieved many concrete results. But his greatest contribution to the forward movement of the times was in the rousing of the public conscience, the strengthening of the nation's moral purpose, and the erecting of a new standard of public service in the management of the nation's affairs. It was no little thing that when Roosevelt was ready to hand over to another the responsibilities of his high office, James Bryce, America's best friend and keenest student from across the seas, was able to say that in a long life, during which he had studied intimately the government of many different countries, he had never in any country seen a more eager, high-minded, and efficient set of public servants, men more useful and more creditable to their country, than the men then doing the work of the American Government in Washington and in the field.

CHAPTER VII

THE SQUARE DEAL FOR BUSINESS

During the times of Roosevelt, the American people were profoundly concerned with the trust problem. So was Roosevelt himself. In this important field of the relations between "big business" and the people he had a perfectly definite point of view, though he did not have a cut and dried programme. He was always more interested in a point of view than in a programme, for he realized that the one is lasting, the other shifting. He knew that if you stand on sound footing and look at a subject from the true angle, you may safely modify your plan of action as often and as rapidly as may be necessary to fit changing conditions. But if your footing is insecure or your angle of vision distorted, the most attractive programme in the world may come to ignominious disaster.

There were, broadly speaking, three attitudes toward the trust problem which were strongly held

by different groups in the United States. At one extreme was the threatening growl of big business, "Let us alone!" At the other pole was the shrill outcry of William Jennings Bryan and his fellow exhorters, "Smash the trusts!" In the golden middle ground was the vigorous demand of Roosevelt for a "square deal."

In his first message to Congress, the President set forth his point of view with frankness and clarity. His comprehensive discussion of the matter may be summarized thus: The tremendous and highly complex industrial development which went on with great rapidity during the latter half of the nineteenth century produced serious social problems. The old laws and the old customs which had almost the binding force of law were once quite sufficient to regulate the accumulation and distribution of wealth. Since the industrial changes which have so enormously increased the productive power of mankind, these regulations are no longer sufficient. The process of the creation of great corporate fortunes has aroused much antagonism; but much of this antagonism has been without warrant. There have been, it is true, abuses connected with the accumulation of wealth; yet no fortune can be accumulated in

legitimate business except by conferring immense incidental benefits upon others. The men who have driven the great railways across the continent, who have built up commerce and developed manufactures, have on the whole done great good to the people at large. Without such men the material development of which Americans are so justly proud never could have taken place. They should therefore recognize the immense importance of this material development by leaving as unhampered as is compatible with the public good the strong men upon whom the success of business inevitably rests. It cannot too often be pointed out that to strike with ignorant violence at the interests of one set of men almost inevitably endangers the interests of all. The fundamental rule in American national life is that, on the whole and in the long run, we shall all go up or down together. Many of those who have made it their vocation to denounce the great industrial combinations appeal especially to the primitive instincts of hatred and fear. These are precisely the two emotions which unfit men for cool and steady judgment. The whole history of the world shows that legislation, in facing new industrial conditions, will generally be both unwise and ineffective unless it is

undertaken only after calm inquiry and with sober self-restraint.

This is one side of the picture as it was presented by the President in his message to Congress. It was characteristic that this aspect should be put first, for Roosevelt always insisted upon doing justice to the other side before he demanded justice for his own. But he then proceeded to set forth the other side with equal vigor: There is a widespread conviction in the minds of the American people that the great corporations are in certain of their features and tendencies hurtful to the general welfare. It is true that real and grave evils have arisen, one of the chief of them being overcapitalization, with its many baleful consequences. This state of affairs demands that combination and concentration in business should be, not prohibited, but supervised and controlled. Corporations engaged in interstate commerce should be regulated if they are found to exercise a license working to the public injury. The first essential in determining how to deal with the great industrial combinations is knowledge of the facts. This is to be obtained only through publicity, which is the one sure remedy we can now invoke before it can be determined what further remedies are needed.

Corporations should be subject to proper governmental supervision, and full and accurate information as to their operations should be made public at regular intervals. The nation should assume powers of supervision and regulation over all corporations doing an interstate business. This is especially true where the corporation derives a portion of its wealth from the existence of some monopolistic element or tendency in its business. The Federal Government should regulate the activities of corporations doing an interstate business, just as it regulates the activities of national banks, and, through the Interstate Commerce Commission, the operations of the railroads.

Roosevelt was destined, however, not to achieve the full measure of national control of corporations that he desired. The elements opposed to his view were too powerful. There was a fortuitous involuntary partnership — though it was not admitted and was even violently denied — between the advocates of "Let us alone!" and of "Smash the trusts!" against the champion of the middle way. In his *Autobiography* Roosevelt has described this situation:

One of the main troubles was the fact that the men who saw the evils and who tried to remedy them

attempted to work in two wholly different ways, and the great majority of them in a way that offered little promise of real betterment. They tried (by the Sherman law method) to bolster up an individualism already proved to be both futile and mischievous; to remedy by more individualism the concentration that was the inevitable result of the already existing individualism. They saw the evil done by the big combinations, and sought to remedy it by destroying them and restoring the country to the economic conditions of the middle of the nineteenth century. This was a hopeless effort, and those who went into it, although they regarded themselves as radical progressives, really represented a form of sincere rural toryism. They confounded monopolies with big business combinations, and in the effort to prohibit both alike, instead of where possible prohibiting one and drastically controlling the other, they succeeded merely in preventing any effective control of either.

On the other hand, a few men recognized that corporations and combinations had become indispensable in the business world, that it was folly to try to prohibit them, but that it was also folly to leave them without thoroughgoing control. These men realized that the doctrine of the old *laissez faire* economists, of the believers in unlimited competition, unlimited individualism, were, in the actual state of affairs, false and mischievous. They realized that the Government must now interfere to protect labor, to subordinate the big corporation to the public welfare, and to shackle cunning and fraud exactly as centuries before it had interfered to shackle the physical force which does wrong by violence. The big reactionaries

of the business world and their allies and instruments among politicians and newspaper editors took advantage of this division of opinion, and especially of the fact that most of their opponents were on the wrong path; and fought to keep matters absolutely unchanged. These men demanded for themselves an immunity from government control which, if granted, would have been as wicked and as foolish as immunity to the barons of the twelfth century. Many of them were evil men. Many others were just as good men as were some of these same barons; but they were as utterly unable as any medieval castle-owner to understand what the public interest really was. There have been aristocracies which have played a great and beneficent part at stages in the growth of mankind; but we had come to a stage where for our people what was needed was a real democracy; and of all forms of tyranny the least attractive and the most vulgar is the tyranny of mere wealth, the tyranny of a plutocracy.[1]

When Roosevelt became President, there were three directions in which energy needed to be applied to the solution of the trust problem: in the more vigorous enforcement of the laws already on the statute books; in the enactment of necessary new laws on various phases of the subject; and in the arousing of an intelligent and militant public opinion in relation to the whole question. To

[1] *Autobiography* (Scribner), pp. 424–25.

each of these purposes the new President applied himself with characteristic vigor.

The Sherman Anti-Trust law, which had already been on the Federal statute books for eleven years, forbade "combinations in restraint of trade" in the field of interstate commerce. During three administrations, eighteen actions had been brought by the Government for its enforcement. At the opening of the twentieth century it was a grave question whether the Sherman law was of any real efficacy in preventing the evils that arose from unregulated combination in business. A decision of the United States Supreme Court, rendered in 1895 in the so-called Knight case, against the American Sugar Refining Company, had, in the general belief, taken the teeth out of the Sherman law. In the words of Mr. Taft, "The effect of the decision in the Knight case upon the popular mind, and indeed upon Congress as well, was to discourage hope that the statute could be used to accomplish its manifest purpose and curb the great industrial trusts which, by the acquisition of all or a large percentage of the plants engaged in the manufacture of a commodity, by the dismantling of some and regulating the output of others, were making every effort to restrict

production, control prices, and monopolize the business." It was obviously necessary that the Sherman act, unless it were to pass into innocuous desuetude, should have the original vigor intended by Congress restored to it by a new interpretation of the law on the part of the Supreme Court. Fortunately an opportunity for such a change presented itself with promptness. A small group of powerful financiers had arranged to take control of practically the entire system of railways in the Northwest, "possibly," Roosevelt has said, "as the first step toward controlling the entire railway system of the country." They had brought this about by organizing the Northern Securities Company to hold the majority of the stock of two competing railways, the Great Northern and the Northern Pacific. At the direction of President Roosevelt, suit was brought by the Government to prevent the merger. The defendants relied for protection upon the immunity afforded by the decision in the Knight case. But the Supreme Court now took more advanced ground, decreed that the Northern Securities Company was an illegal combination, and ordered its dissolution.

By the successful prosecution of this case the

Sherman act was made once more a potentially valuable instrument for the prevention of the more flagrant evils that flow from "combinations in restraint of trade." During the remaining years of the Roosevelt Administrations, this legal instrument was used with aggressive force for the purpose for which it was intended. In seven years and a half, forty-four prosecutions were brought under it by the Government, as compared with eighteen in the preceding eleven years. The two most famous trust cases, next to the Northern Securities case and even surpassing it in popular interest, because of the stupendous size of the corporations involved, were those against the Standard Oil Company and the American Tobacco Company. These companion cases were not finally decided in the Supreme Court until the Administration of President Taft; but their prosecution was begun while Roosevelt was in office and by his direction. They were therefore a definite part of his campaign for the solution of the vexed trust problem. Both cases were decided, by every court through which they passed, in favor of the Government. The Supreme Court finally in 1911 decreed that both the Standard Oil and the Tobacco trusts were in violation of the Sherman act

and ordered their dissolution. There could now no longer be any question that the Government could in fact exercise its sovereign will over even the greatest and the most powerful of modern business organizations.

The two cases had one other deep significance which at first blush looked like a weakening of the force of the anti-trust law but which was in reality a strengthening of it. There had been long and ardent debate whether the Sherman act should be held to apply to *all* restraints of trade or only to such as were unreasonable. It was held by some that it applied to all restraints and therefore should be amended to cover only unreasonable restraints. It was held by others that it applied to all restraints and properly so. It was held by still others that it applied only to unreasonable restraints. But the matter had never been decided by competent authority. The decision of the Supreme Court in these two outstanding cases, however, put an end to the previous uncertainty. Chief Justice White, in his two opinions, laid it down with definiteness that in construing and applying the law recourse must be had to the "rule of reason." He made clear the conviction of the court that it was "undue" restraints of trade which the law forbade and

not incidental or inconsiderable ones. This definitive interpretation of the law, while it caused considerable criticism at the moment, in ultimate effect so cleared the air about the Sherman act as effectually to dispose of the demands for its amendment in the direction of greater leniency or severity.

But the proving of the anti-trust law as an effective weapon against the flagrantly offending trusts, according to Roosevelt's conviction, was only a part of the battle. As he said, "monopolies can, although in rather cumbrous fashion, be broken up by lawsuits. Great business combinations, however, cannot possibly be made useful instead of noxious industrial agencies merely by lawsuits, and especially by lawsuits supposed to be carried on for their destruction and not for their control and regulation." He took, as usual, the constructive point of view. He saw both sides of the trust question — the inevitability and the beneficence of combination in modern business, and the danger to the public good that lay in the unregulated and uncontrolled wielding of great power by private individuals. He believed that the thing to do with great power was not to destroy it but to use it, not to forbid its acquisition but to direct its application. So

he set himself to the task of securing fresh legislation regarding the regulation of corporate activities.

Such legislation was not easy to get; for the forces of reaction were strong in Congress. But several significant steps in this direction were taken before Roosevelt went out of office. The new Federal Department of Commerce and Labor was created, and its head became a member of the Cabinet. The Bureau of Corporations was established in the same department. These new executive agencies were given no regulatory powers, but they did perform excellent service in that field of publicity on the value of which Roosevelt laid so much stress.

In the year 1906 the passing of the Hepburn railway rate bill for the first time gave the Interstate Commerce Commission a measure of real control over the railways, by granting to the Commission the power to fix maximum rates for the transportation of freight in interstate commerce. The Commission had in previous years, under the authority of the act which created it and which permitted the Commission to decide in particular cases whether rates were just and reasonable, attempted to exercise this power to fix in these specific cases maximum rates. But the courts had

decided that the Commission did not possess this right. The Hepburn act also extended the authority of the Commission over express companies, sleeping-car companies, pipe lines, private car lines, and private terminal and connecting lines. It prohibited railways from transporting in interstate commerce any commodities produced or owned by themselves. It abolished free passes and transportation except for railway employees and certain other small classes of persons, including the poor and unfortunate classes and those engaged in religious and charitable work. Under the old law, the Commission was compelled to apply to a Federal court on its own initiative for the enforcement of any order which it might issue. Under the Hepburn act the order went into effect at once; the railroad must begin to obey the order within thirty days; it must itself appeal to the court for the suspension and revocation of the order, or it must suffer a penalty of $5000 a day during the time that the order was disobeyed. The act further gave the Commission the power to prescribe accounting methods which must be followed by the railways, in order to make more difficult the concealment of illegal rates and improper favors to individual shippers.

This extension and strengthening of the authority of the Interstate Commerce Commission was an extremely valuable forward step, not only as concerned the relations of the public and the railways, but in connection with the development of predatory corporations of the Standard Oil type. Miss Ida Tarbell, in her frankly revealing *History of the Standard Oil Company*, which had been published in 1904, had shown in striking fashion how secret concessions from the railways had helped to build up that great structure of business monopoly. In Miss Tarbell's words, "Mr. Rockefeller's great purpose had been made possible by his remarkable manipulation of the railroads. It was the rebate which had made the Standard Oil trust, the rebate, amplified, systematized, glorified into a power never equalled before or since by any business of the country." The rebate was the device by which favored shippers — favored by the railways either voluntarily or under the compulsion of the threats of retaliation which the powerful shippers were able to make — paid openly the established freight rates on their products and then received back from the railways a substantial proportion of the charges. The advantage to the favored shipper is obvious. There were

other more adroit ways in which the favoritism could be accomplished; but the general principle was the same. It was one important purpose — and effect — of the Hepburn act to close the door to this form of discrimination.

One more step was necessary in order to eradicate completely this mischievous condition and to "keep the highway of commerce open to all on equal terms." It was imperative that the law relative to these abuses should be enforced. On this point Roosevelt's own words are significant: "Although under the decision of the courts the National Government had power over the railways, I found, when I became President, that this power was either not exercised at all or exercised with utter inefficiency. The law against rebates was a dead letter. All the unscrupulous railway men had been allowed to violate it with impunity; and because of this, as was inevitable, the scrupulous and decent railway men had been forced to violate it themselves, under penalty of being beaten by their less scrupulous rivals. It was not the fault of these decent railway men. It was the fault of the Government."

Roosevelt did not propose that this condition should continue to be the fault of the Government

while he was at its head, and he inaugurated a vigorous campaign against railways that had given rebates and against corporations that had accepted — or extorted — them. The campaign reached a spectacular peak in a prosecution of the Standard Oil Company, in which fines aggregating over $29,000,000 were imposed by Judge Kenesaw M. Landis of the United States District Court at Chicago for the offense of accepting rebates. The Circuit Court of Appeals ultimately determined that the fine was improperly large, since it had been based on the untenable theory that each shipment on which a rebate was paid constituted a separate offense. At the second trial the presiding judge ordered an acquittal. In spite, however, of the failure of this particular case, with its spectacular features, the net result of the rebate prosecutions was that the rebate evil was eliminated for good and all from American railway and commercial life.

When Roosevelt demanded the "square deal" between business and the people, he meant precisely what he said. He had no intention of permitting justice to be required from the great corporations without insisting that justice be done to them in turn. The most interesting case in

point was that of the Tennessee Coal and Iron Company. To this day the action which Roosevelt took in the matter is looked upon, by many of those extremists who can see nothing good in "big business," as a proof of his undue sympathy with the capitalist. But thirteen years later the United States Supreme Court in deciding the case against the United States Steel Corporation in favor of the Corporation, added an *obiter dictum* which completely justified Roosevelt's action.

In the fall of 1907 the United States was in the grip of a financial panic. Much damage was done, and much more was threatened. One great New York trust company was compelled to close its doors, and others were on the verge of disaster. One evening in the midst of this most trying time, the President was informed that two representatives of the United States Steel Corporation wished to call upon him the next morning. As he was at breakfast the next day word came to him that Judge Gary and Mr. Frick were waiting in the Executive Office. The President went over at once, sending word to Elihu Root, then Secretary of State, to join him. Judge Gary and Mr. Frick informed the President that a certain great firm

in the New York financial district was upon the point of failure. This firm held a large quantity of the stock of the Tennessee Coal and Iron Company. The Steel Corporation had been urged to purchase this stock in order to avert the failure. The heads of the Steel Corporation asserted that they did not wish to purchase this stock from the point of view of a business transaction, as the value which the property might be to the Corporation would be more than offset by the criticism to which they would be subjected. They said that they were sure to be charged with trying to secure a monopoly and to stifle competition. They told the President that it had been the consistent policy of the Steel Corporation to have in its control no more than sixty per cent of the steel properties of the country; that their proportion of those properties was in fact somewhat less than sixty per cent; and that the acquisition of the holdings of the Tennessee Company would raise it only a little above that point. They felt, however, that it would be extremely desirable for them to make the suggested purchase in order to prevent the damage which would result from the failure of the firm in question. They were willing to buy the stocks offered because in the best judgment of

many of the strongest bankers in New York the transaction would be an influential factor in preventing a further extension of the panic. Judge Gary and Mr. Frick declared that they were ready to make the purchase with this end in view but that they would not act without the President's approval of their action.

Immediate action was imperative. It was important that the purchase, if it were to be made, should be announced at the opening of the New York Stock Exchange at ten o'clock that morning. Fortunately Roosevelt never shilly-shallied when a crisis confronted him. His decision was instantaneous. He assured his callers that while, of course, he could not advise them to take the action proposed, he felt that he had no public duty to interpose any objection.

This assurance was quite sufficient. The purchase was made and announced, the firm in question did not fail, and the panic was arrested. The immediate reaction of practically the whole country was one of relief. It was only later, when the danger was past, that critics began to make themselves heard. Any one who had taken the trouble to ascertain the facts would have known beyond question that the acquisition of the Tennessee

properties was not sufficient to change the status of the Steel Corporation under the anti-trust law. But the critics did not want to know the facts. They wanted — most of them, at least — to have a stick with which to beat Roosevelt. Besides, many of them did not hold Roosevelt's views about the square deal. Their belief was that whatever big business did was *ipso facto* evil and that it was the duty of public officials to find out what big business wanted to do and then prevent its accomplishment.

Under a later Administration, Roosevelt was invited to come before a Congressional investigating committee to explain what he did in this famous case. There he told the complete story of the occurrence simply, frankly, and emphatically, and ended with this statement: "If I were on a sailboat, I should not ordinarily meddle with any of the gear; but if a sudden squall struck us, and the main sheet jammed, so that the boat threatened to capsize, I would unhesitatingly cut the main sheet, even though I were sure that the owner, no matter how grateful to me at the moment for having saved his life, would a few weeks later, when he had forgotten his danger and his fear, decide to sue me for the value of the cut rope. But

I would feel a hearty contempt for the owner who so acted."

Two laws passed during the second Roosevelt Administration had an important bearing on the conduct of American business, though in a different way from those which have already been considered. They were the Pure Food law, and the Meat Inspection act. Both were measures for the protection of the public health; but both were at the same time measures for the control of private business. The Pure Food law did three things: it prohibited the sale of foods or drugs which were not pure and unadulterated; it prohibited the sale of drugs which contained opium, cocaine, alcohol, and other narcotics unless the exact proportion of them in the preparation were stated on the package; and it prohibited the sale of foods and drugs as anything else than what they actually were. The Meat Inspection law required rigid inspection by Government officials of all slaughterhouses and packing concerns preparing meat food products for distribution in interstate commerce. The imperative need for the passage of this law was brought forcibly and vividly to the popular attention through a novel, *The Jungle*, written by Upton Sinclair, in which the disgraceful conditions of

uncleanliness and revolting carelessness in the Chicago packing houses were described with vitriolic intensity. An official investigation ordered by the President confirmed the truth of these timely revelations.

These achievements on the part of the Roosevelt Administrations were of high value. But, after all, Roosevelt performed an even greater service in arousing the public mind to a realization of facts of national significance and stimulating the public conscience to a desire to deal with them vigorously and justly. From the very beginning of his Presidential career he realized the gravity of the problems created by the rise of big business; and he began forthwith to impress upon the people with hammer blows the conditions as he saw them, the need for definite corrective action, and the absolute necessity for such treatment of the case as would constitute the "square deal." An interesting example of his method and of the response which it received is to be found in the report of an address which he made in 1907. It runs thus:

From the standpoint of our material prosperity there is only one other thing as important as the discouragement of a spirit of envy and hostility toward business men, toward honest men of means; this is the

discouragement of dishonest business men. [Great applause.]

Wait a moment; I don't want you to applaud this part unless you are willing to applaud also the part I read first, to which you listened in silence. [Laughter and applause.] I want you to understand that I will stand just as straight for the rights of the honest man who wins his fortune by honest methods as I will stand against the dishonest man who wins a fortune by dishonest methods. And I challenge the right to your support in one attitude just as much as in the other. I am glad you applauded when you did, but I want you to go back now and applaud the other statement. I will read a little of it over again. "Every manifestation of ignorant envy and hostility toward honest men who acquire wealth by honest means should be crushed at the outset by the weight of a sensible public opinion." [Tremendous applause.] Thank you. Now I'll go on.

Roosevelt's incessant emphasis was placed upon conduct as the proper standard by which to judge the actions of men. "We are," he once said, "no respecters of persons. If a labor union does wrong, we oppose it as firmly as we oppose a corporation which does wrong; and we stand equally stoutly for the rights of the man of wealth and for the rights of the wage-worker. We seek to protect the property of every man who acts honestly, of every corporation that represents wealth honestly

accumulated and honestly used. We seek to stop wrongdoing, and we desire to punish the wrong-doer only so far as is necessary to achieve this end."

At another time he sounded the same note — sounded it indeed with a "damnable iteration" that only proved how deeply it was imbedded in his conviction:

Let us strive steadily to secure justice as between man and man without regard to the man's position, social or otherwise. Let us remember that justice can never be justice unless it is equal. Do justice to the rich man and exact justice from him; do justice to the poor man and exact justice from him — justice to the capitalist and justice to the wage-worker. . . . I have an equally hearty aversion for the reactionary and the demagogue; but I am not going to be driven out of fealty to my principles because certain of them are championed by the reactionary and certain others by the demagogue. The reactionary is always strongly for the rights of property; so am I. . . . I will not be driven away from championship of the rights of property upon which all our civilization rests because they happen to be championed by people who champion furthermore the abuses of wealth. . . . Most demagogues advocate some excellent popular principles, and nothing could be more foolish than for decent men to permit themselves to be put into an attitude of ignorant and perverse opposition to all reforms demanded in the name of the people because it happens that some of them are demanded by demagogues.

Such an attitude on the part of a man like Roosevelt could not fail to be misunderstood, misinterpreted, and assailed. Toward the end of his Presidential career, when he was attacking with peculiar vigor the "malefactors of great wealth" whom the Government had found it necessary to punish for their predatory acts in corporate guise, it was gently intimated by certain defenders of privilege that he was insane. At other times, when he was insisting upon justice even to men who had achieved material success, he was placed by the more rabid of the radical opponents of privilege in the hierarchy of the worshipers of the golden calf. His course along the middle of the onward way exposed him peculiarly to the missiles of invective and scorn from the partisans on either side. But neither could drive him into the arms of the other.

The best evidence of the soundness of the strategy with which he assailed the enemies of the common good, with whirling war-club but with scrupulous observance of the demands of justice and fair play, is to be found in the measure of what he actually achieved. He did arouse the popular mind and sting the popular conscience broad awake. He did enforce the law without fear or favor. He did

leave upon the statute-book and in the machinery of government new means and methods for the control of business and for the protection of the general welfare against predatory wealth.

CHAPTER VIII

THE SQUARE DEAL FOR LABOR

It should go without saying that Roosevelt was vigorously and deeply concerned with the relations between capital and labor, for he was interested in everything that concerned the men and women of America, everything that had to do with human relations. From the very beginning of his public life he had been a champion of the workingman when the workingman needed defense against exploitation and injustice. But his advocacy of the workers' rights was never demagogic nor partial. In industrial relations, as in the relations between business and the community, he believed in the square deal. The rights of labor and the rights of capital must, he firmly held, be respected each by the other — and the rights of the public by both.

Roosevelt believed thoroughly in trade unions. He realized that one of the striking accompaniments

of the gigantic developments in business and industry of the past few generations was a gross inequality in the bargaining relation between the employer and the individual employee standing alone.

Speaking of the great coal strike which occurred while he was President, he developed the idea in this way:

> The great coal-mining and coal-carrying companies, which employed their tens of thousands, could easily dispense with the services of any particular miner. The miner, on the other hand, however expert, could not dispense with the companies. He needed a job; his wife and children would starve if he did not get one. What the miner had to sell — his labor — was a perishable commodity; the labor of today — if not sold today — was lost forever. Moreover, his labor was not like most commodities — a mere thing; it was a part of a living, human being. The workman saw, and all citizens who gave earnest thought to the matter saw that the labor problem was not only an economic, but also a moral, a human problem. Individually the miners were impotent when they sought to enter a wage contract with the great companies; they could make fair terms only by uniting into trade unions to bargain collectively. The men were forced to cooperate to secure not only their economic, but their simple human rights. They, like other workmen, were compelled by the very conditions under which they lived to unite in unions of their industry or trade, and those unions were bound to grow in size, in strength,

and in power for good and evil as the industries in which the men were employed grew larger and larger.[1]

He was fond of quoting three statements of Lincoln's as expressing precisely what he himself believed about capital and labor. The first of these sayings was this: "*Labor is prior to, and independent of, capital. Capital is only the fruit of labor, and could never have existed if labor had not first existed. Labor is the superior of capital, and deserves much the higher consideration.*"

This statement, Roosevelt used to say, would have made him, if it had been original with him, even more strongly denounced as a communist agitator than he already was! Then he would turn from this, which the capitalist ought to hear, to another saying of Lincoln's which the workingman ought to hear: "*Capital has its rights, which are as worthy of protection as any other rights. . . . Nor should this lead to a war upon the owners of property. Property is the fruit of labor; . . . property is desirable; it is a positive good in the world.*"

Then would come the final word from Lincoln, driven home by Roosevelt with all his usual vigor and fire: "*Let not him who is houseless pull down the house of another, but let him work diligently and*

[1] *Autobiography* (Scribner), pp. 471–72.

build one for himself, thus by example assuring that his own shall be safe from violence when built."

In these three sayings, Roosevelt declared, Lincoln "showed the proper sense of proportion in his relative estimates of capital and labor, of human rights and property rights." Roosevelt's own most famous statement of the matter was made in an address which he delivered before the Sorbonne in Paris, on his way back from Africa: "In every civilized society property rights must be carefully safeguarded. Ordinarily, and in the great majority of cases, human rights and property rights are fundamentally and in the long run identical; but when it clearly appears that there is a real conflict between them, human rights must have the upper hand, for property belongs to man and not man to property."

Several times it happened to Roosevelt to be confronted with the necessity of meeting with force the threat of violence on the part of striking workers. He never refused the challenge, and his firmness never lost him the respect of any but the worthless among the workingmen. When he was Police Commissioner, strikers in New York were coming into continual conflict with the police. Roosevelt asked the strike leaders to meet him in

order to talk things over. These leaders did not know the man with whom they were dealing; they tried to bully him. They truculently announced the things that they would do if the police were not compliant to their wishes. But they did not get far in that direction. Roosevelt called a halt with a snap of his jaws. "Gentlemen!" he said, "we want to understand one another. That was my object in coming here. Remember, please, that he who counsels violence does the cause of labor the poorest service. Also, he loses his case. Understand distinctly that order will be kept. The police will keep it. Now, gentlemen!" There was surprised silence for a moment, and then smashing applause. They had learned suddenly what kind of a man Roosevelt was. All their respect was his.

It was after he became President that his greatest opportunity occurred to put into effect his convictions about the industrial problem. In 1902 there was a strike which brought about a complete stoppage of work for several months in the anthracite coal regions. Both operators and workers were determined to make no concession. The coal famine became a national menace as the winter approached. "The big coal operators had banded together," so Roosevelt has described the situation,

"and positively refused to take any steps looking toward an accommodation. They knew that the suffering among the miners was great; they were confident that if order was kept, and nothing further done by the Government, they would win; and they refused to consider that the public had any rights in the matter."

As the situation grew more and more dangerous, the President directed the head of the Federal Labor Bureau to make an investigation of the whole matter. From this investigation it appeared that the most feasible solution of the problem was to prevail upon both sides to agree to a commission of arbitration and promise to accept its findings. To this proposal the miners agreed; the mine owners insolently declined it. Nevertheless, Roosevelt persisted, and ultimately the operators yielded on condition that the commission, which was to be named by the President, should contain no representative of labor. They insisted that it should be composed of (1) an officer of the engineer corps of the army or navy, (2) a man with experience in mining, (3) a "man of prominence, eminent as a sociologist," (4) a Federal Judge of the Eastern District of Pennsylvania, and (5) a mining engineer. In the course of a long and grueling

conference it looked as though a deadlock could be the only outcome, since the mine owners would have no representative of labor on any terms. But it suddenly dawned on Roosevelt that the owners were objecting not to the thing but to the name. He discovered that they would not object to the appointment of any man, labor man or not, so long as he was not appointed *as* a labor man or *as* a representative of labor. "I shall never forget," he says in his *Autobiography*, "the mixture of relief and amusement I felt when I thoroughly grasped the fact that while they would heroically submit to anarchy rather than have Tweedledum, yet if I would call it Tweedledee they would accept with rapture." All that he needed to do was to "commit a technical and nominal absurdity with a solemn face." When he realized that this was the case, Roosevelt announced that he was glad to accept the terms laid down, and proceeded to appoint to the third position on the Commission the labor man whom he had wanted from the first to appoint, Mr. E. E. Clark, the head of the Brotherhood of Railway Conductors. He called him, however, an "eminent sociologist," adding in his announcement of the appointment this explanation: "For the purposes of such a Commission,

the term sociologist means a man who has thought and studied deeply on social questions and has practically applied his knowledge."

The Commission as finally constituted was an admirable one. Its report, which removed every menace to peace in the coal industry, was an outstanding event in the history of the relations of labor and capital in the United States.

But the most interesting and significant part of Roosevelt's relation to the great coal strike concerned something that did not happen. It illustrates his habit of seeing clearly through a situation to the end and knowing far in advance just what action he was prepared to take in any contingency that might possibly arise. He was determined that work should be resumed in the mines and that the country should have coal. He did not propose to allow the operators to maintain the deadlock by sheer refusal to make any compromise. In case he could not succeed in making them reconsider their position, he had prepared a definite and drastic course of action. The facts in regard to this plan did not become public until many years after the strike was settled, and then only when Roosevelt described it in his *Autobiography*.

The method of action which Roosevelt had

determined upon in the last resort was to get the Governor of Pennsylvania to appeal to him as President to restore order. He had then determined to put Federal troops into the coal fields under the command of some first-rate general, with instructions not only to preserve order but to dispossess the mine operators and to run the mines as a receiver, until such time as the Commission should make its report and the President should issue further orders in view of that report. Roosevelt found an army officer with the requisite good sense, judgment, and nerve to act in such a crisis in the person of Major General Schofield. Roosevelt sent for the General and explained the seriousness of the crisis. "He was a fine fellow," says Roosevelt in his *Autobiography*, "a most respectable-looking old boy, with side whiskers and a black skull-cap, without any of the outward aspect of the conventional military dictator; but in both nerve and judgment he was all right." Schofield quietly assured the President that if the order was given he would take possession of the mines, and would guarantee to open them and run them without permitting any interference either by the owners or by the strikers or by any one else, so long as the President told him to stay.

Fortunately Roosevelt's efforts to bring about arbitration were ultimately successful and recourse to the novel expedient of having the army operate the coal mines proved unnecessary. No one was more pleased than Roosevelt himself at the harmonious adjustment of the trouble, for, as he said, "It is never well to take drastic action if the result can be achieved with equal efficiency in less drastic fashion." But there can be no question that the drastic action would have followed if the coal operators had not seen the light when they did.

In other phases of national life Roosevelt made his influence equally felt. As President he found that there was little which the Federal Government could do directly for the practical betterment of living and working conditions among the mass of the people compared with what the State Governments could do. He determined, however, to strive to make the National Government an ideal employer. He hoped to make the Federal employee feel, just as much as did the Cabinet officer, that he was one of the partners engaged in the service of the public, proud of his work, eager to do it efficiently, and confident of just treatment. The Federal Government could act in relation to laboring conditions only in the Territories,

in the District of Columbia, and in connection with interstate commerce. But in those fields it accomplished much.

The eight-hour law for workers in the executive departments had become a mere farce and was continually violated by officials who made their subordinates work longer hours than the law stipulated. This condition the President remedied by executive action, at the same time seeing to it that the shirk and the dawdler received no mercy. A good law protecting the lives and health of miners in the Territories was passed; and laws were enacted for the District of Columbia, providing for the supervision of employment agencies, for safeguarding workers against accidents, and for the restriction of child labor. A workmen's compensation law for government employees, inadequate but at least a beginning, was put on the statute books. A similar law for workers on interstate railways was declared unconstitutional by the courts; but a second law was passed and stood the test.

It was chiefly in the field of executive action, however, that Roosevelt was able to put his theories into practice. There he did not have to deal with recalcitrant, stupid, or medieval-minded politicians, as he so often did in matters of legislation.

One case which confronted him found him on the side against the labor unions, but, being sure that he was right, he did not let that fact disturb him. A printer in the Government Printing Office, named Miller, had been discharged because he was a non-union man. The President immediately ordered him reinstated.

Samuel Gompers, President of the American Federation of Labor, with several members of its Executive Council, called upon him to protest. The President was courteous but inflexible. He answered their protest by declaring that, in the employment and dismissal of men in the Government service, he could no more recognize the fact that a man did or did not belong to a union as being for or against him, than he could recognize the fact that he was a Protestant or a Catholic, a Jew or a Gentile, as being for or against him. He declared his belief in trade unions and said that if he were a worker himself he would unquestionably join a union. He always preferred to see a union shop. But he could not allow his personal preferences to control his public actions. The Government was bound to treat union and non-union men exactly alike. His action in causing Miller to be reinstated was final.

Another instance which illustrated Roosevelt's skill in handling a difficult situation occurred in 1908 when the Louisville and Nashville Railroad and certain other lines announced a reduction in wages. The heads of that particular road laid the necessity for the reduction at the door of "the drastic laws inimical to the interests of the railroads that have in the past year or two been enacted." A general strike, with all the attendant discomfort and disorder, was threatened in retaliation. The President wrote a letter to the Interstate Commerce Commission, in which he said:

These reductions in wages may be justified or they may not. As to this the public, which is a vitally interested party, can form no judgment without a more complete knowledge of the essential facts and real merits of the case than it now has or than it can possibly obtain from the special pleadings, certain to be put forth by each side in case their dispute should bring about serious interruption to traffic. If the reduction in wages is due to natural causes, the loss of business being such that the burden should be, and is, equitably distributed, between capitalist and wage-worker, the public should know it. If it is caused by legislation, the public and Congress should know it; and if it is caused by misconduct in the past financial or other operations of any railroad, then everybody should know it, especially if the excuse of unfriendly

legislation is advanced as a method of covering up past business misconduct by the railroad managers, or as a justification for failure to treat fairly the wage-earning employees of the company.

The letter closed with a request to the Commission to investigate the whole matter with these points in view. But the investigation proved unnecessary; the letter was enough. The proposed reduction of wages was never heard of again. The strength of the President's position in a case of this sort was that he was cheerfully prepared to accept whatever an investigation should show to be right. If the reduction should prove to be required by natural causes, very well — let the reduction be made. If it was the result of unfair and unwise legislation, very well — repeal the legislation. If it was caused by misconduct on the part of railroad managers, very well — let them be punished. It was hard to get the better of a man who wanted only the truth, and was ready to act upon it, no matter which way it cut.

In 1910, after his return from Africa, a speaking trip happened to take him to Columbus, Ohio, which had for months been in the grasp of a street railway strike. There had been much violence, many policemen had refused to do their duty, and

many officials had failed in theirs. It was an uncomfortable time for an outsider to come and make a speech. But Roosevelt did not dodge. He spoke, and straight to the point. His speech had been announced as on Law and Order. When he rose to speak, however, he declared that he would speak on Law, Order, and Justice. Here are some of the incisive things that he said:

"Now, the first requisite is to establish order; and the first duty of every official, in State and city alike, high and low, is to see that order obtains and that violence is definitely stopped. . . . I have the greatest regard for the policeman who does his duty. I put him high among the props of the State, but the policeman who mutinies, or refuses to perform his duty, stands on a lower level than that of the professional lawbreaker. . . . I ask, then, not only that civic officials perform their duties, but that you, the people, insist upon their performing them. . . . I ask this particularly of the wage-workers, and employees, and men on strike. . . . I ask them, not merely passively, but actively, to aid in restoring order. I ask them to clear their skirts of all suspicion of sympathizing with disorder, and, above all, the suspicion of sympathizing with those who commit brutal and cowardly assaults. . . . What I have said of the laboring men applies just as much to the capitalists and the capitalists' representatives. . . . The wage-workers and the representatives of the companies should make it evident that they wish the law absolutely obeyed; that there is no chance of saying

that either the labor organization or the corporation favors lawbreakers or lawbreaking. But let your public servants trust, not in the good will of either side, but in the might of the civil arm, and see that law rules, that order obtains, and that every miscreant, every scoundrel who seeks brutally to assault any other man — whatever that man's status — is punished with the utmost severity. . . . When you have obtained law and order, remember that it is useless to have obtained them unless upon them you build a superstructure of justice. After finding out the facts, see that justice is done; see that injustice that has been perpetrated in the past is remedied, and see that the chance of doing injustice in the future is minimized."

Now, any one might in his closet write an essay on Law, Order, and Justice, which would contain every idea that is here expressed. The essayist might even feel somewhat ashamed of his production on the ground that all the ideas that it contained were platitudes. But it is one thing to write an essay far from the madding crowd, and it was quite another to face an audience every member of which was probably a partisan of either the workers, the employers, or the officials, and give them straight from the shoulder simple platitudinous truths of this sort applicable to the situation in which they found themselves. Any one of them would have been delighted to hear these things said

about his opponents; it was when they were addressed to himself and his associates that they stung. The best part of it, however, was the fact that those things were precisely what the situation needed. They were the truth; and Roosevelt knew it. His sword had a double edge, and he habitually used it with a sweep that cut both ways. As a result he was generally hated or feared by the extremists on both sides. But the average citizen heartily approved the impartiality of his strokes.

In the year 1905 the Governor of Idaho was killed by a bomb as he was leaving his house. A former miner, who had been driven from the State six years before by United States troops engaged in putting down industrial disorder, was arrested and confessed the crime. In his confession he implicated three officers of the Western Federation of Miners, Moyer, Haywood, and Pettibone. These three men were brought from Colorado into Idaho by a method that closely resembled kidnaping, though it subsequently received the sanction of the United States Supreme Court. While these prominent labor leaders were awaiting trial, Colorado, Idaho, and Nevada seethed and burst into eruption. Parts of the mining districts were transformed into two hostile armed camps. Violence

was common. At this time Roosevelt coupled the name of a giant among American railroad financiers, with those of Moyer and Haywood, and described them all as "undesirable citizens." The outbursts of resentment from both sides were instantaneous and vicious. There was little to choose between them. Finally the President took advantage of a letter of criticism from a supporter of the accused labor leaders to reply to both groups of critics. He referred to the fact that certain representatives of the great capitalists had protested because he had included a prominent financier with Moyer and Haywood, while certain representatives of labor had protested on precisely the opposite grounds. Then Roosevelt went on to say:

I am as profoundly indifferent to the condemnation in one case as in the other. I challenge as a right the support of all good Americans, whether wage-workers or capitalists, whatever their occupation or creed, or in whatever portion of the country they live, when I condemn both the types of bad citizenship whieh I have held up to reprobation. . . . You ask for a "square deal" for Messrs. Moyer and Haywood. So do I. When I say "square deal," I mean a square deal to every one; it is equally a violation of the policy of the square deal for a capitalist to protest against denunciation of a capitalist who is guilty of wrong-doing and for a labor leader to protest against the

denunciation of a labor leader who has been guilty of wrongdoing. I stand for equal justice to both; and so far as in my power lies I shall uphold justice, whether the man accused of guilt has behind him the wealthiest corporation, the greatest aggregations of riches in the country, or whether he has behind him the most influential labor organizations in the country.

It should be recorded for the sake of avoiding misapprehension that Roosevelt's denunciation of Moyer and Haywood was not based on the assumption that they were guilty of the death of the murdered Governor, but was predicated on their general attitude and conduct in the industrial conflicts in the mining fields.

The criticisms of Roosevelt because of his actions in the complex relations of capital and labor were often puerile. For instance, he was sternly taken to task on one or two occasions because he had labor leaders lunch with him at the White House. He replied to one of his critics with this statement of his position: "While I am President I wish the labor man to feel that he has the same right of access to me that the capitalist has; that the doors swing open as easily to the wage-worker as to the head of a big corporation — *and no easier.*"

CHAPTER IX

RECLAMATION AND CONSERVATION

The first message of President Roosevelt to Congress contained these words: "The forest and water problems are perhaps the most vital internal questions of the United States." At that moment, on December 3, 1901, the impulse was given that was to add to the American vocabulary two new words, "reclamation" and "conservation," that was to create two great constructive movements for the preservation, the increase, and the utilization of natural resources, and that was to establish a new relationship on the part of the Federal Government to the nation's natural wealth.

Reclamation and conservation had this in common: the purpose of both was the intelligent and efficient utilization of the natural resources of the country for the benefit of the people of the country. But they differed in one respect, and with conspicuous practical effects. Reclamation, which meant

the spending of public moneys to render fertile and usable arid lands hitherto deemed worthless, trod on no one's toes. It took from no one anything that he had; it interfered with no one's enjoyment of benefits which it was not in the public interest that he should continue to enjoy unchecked. It was therefore popular from the first, and the new policy went through Congress as though on well-oiled wheels. Only six months passed between its first statement in the Presidential message and its enactment into law. Conservation, on the other hand, had to begin by withholding the natural resources from exploitation and extravagant use. It had, first of all, to establish in the national mind the principle that the forests and mines of the nation are not an inexhaustible grab-bag into which whosoever will may thrust greedy and wasteful hands, and by this new understanding to stop the squandering of vast national resources until they could be economically developed and intelligently used. So it was inevitable that conservation should prove unpopular, while reclamation gained an easy popularity, and that those who had been feeding fat off the country's stores of forest and mineral wealth should oppose, with tooth and nail, the very suggestion of conservation.

It was on the first Sunday after he reached Washington as President, before he had moved into the White House, that Roosevelt discussed with two men, Gifford Pinchot and F. H. Newell, the twin policies that were to become two of the finest contributions to American progress of the Roosevelt Administrations. Both men were already in the Government service, both were men of broad vision and high constructive ability; with both Roosevelt had already worked when he was Governor of New York. The name of Newell, who became chief engineer of the Reclamation Service, ought to be better known popularly than it is in connection with the wonderful work that has been accomplished in making the desert lands of western America blossom and produce abundantly. The name of Pinchot, by a more fortunate combination of events, has become synonymous in the popular mind with the conservation movement.

On the very day that the first Roosevelt message was read to the Congress, a committee of Western Senators and Congressmen was organized, under the leadership of Senator Francis G. Newlands of Nevada, to prepare a Reclamation Bill. The only obstacle to the prompt enactment of the bill was the undue insistence upon State Rights by certain

Congressmen, "who consistently fought for local and private interests as against the interests of the people as a whole." In spite of this shortsighted opposition, the bill became law on June 17, 1902, and the work of reclamation began without an instant's delay. The Reclamation Act set aside the proceeds of the sale of public lands for the purpose of reclaiming the waste areas of the arid West. Lands otherwise worthless were to be irrigated and in those new regions of agricultural productivity homes were to be established. The money so expended was to be repaid in due course by the settlers on the land and the sums repaid were to be used as a revolving fund for the continuous prosecution of the reclamation work. Nearly five million dollars was made immediately available for the work. Within four years, twenty-six "projects" had been approved by the Secretary of the Interior and work was well under way on practically all of them. They were situated in fourteen States — Arizona, Colorado, Idaho, Kansas, Montana, Nebraska, Washington, Utah, Wyoming, New Mexico, North Dakota, Oregon, California, South Dakota. The individual projects were intended to irrigate areas of from eight thousand to two hundred thousand acres each; and the grand

total of arid lands to which water was thus to be brought by canals, tunnels, aqueducts, and ditches was more than a million and a half acres.

The work had to be carried out under the most difficult and adventurous conditions. The men of the Reclamation Service were in the truest sense pioneers, building great engineering works far from the railroads, where the very problem of living for the great numbers of workers required was no simple one. On the Shoshone in Wyoming these men built the highest dam in the world, 310 feet from base to crest. They pierced a mountain range in Colorado and carried the waters of the Gunnison River nearly six miles to the Uncompahgre Valley through a tunnel in the solid rock. The great Roosevelt dam on the Salt River in Arizona with its gigantic curved wall of masonry 280 feet high, created a lake with a capacity of fifty-six billion cubic feet, and watered in 1915 an area of 750,000 acres.

The work of these bold pioneers was made possible by the fearless backing which they received from the Administration at Washington. The President demanded of them certain definite results and gave them unquestioning support. In Roosevelt's own words, "the men in charge were

given to understand that they must get into the water if they would learn to swim; and, furthermore, they learned to know that if they acted honestly, and boldly and fearlessly accepted responsibility, I would stand by them to the limit. In this, as in every other case, in the end the boldness of the action fully justified itself."

The work of reclamation was first prosecuted under the United States Geological Survey; but in the spring of 1908 the United States Reclamation Service was established to carry it on, under the direction of Mr. Newell, to whom the inception of the plan was due. Roosevelt paid a fine and well-deserved tribute to the man who originated and carried through this great national achievement when he said that "Newell's single-minded devotion to this great task, the constructive imagination which enabled him to conceive it, and the executive power and high character through which he and his assistant, Arthur P. Davis, built up a model service — all these made him a model servant. The final proof of his merit is supplied by the character and records of the men who later assailed him."

The assault to which Roosevelt thus refers was the inevitable aftermath of great accomplishment. Reclamation was popular, when it was proposed,

while it was being carried out, and when the water began to flow in the ditches, making new lands of fertile abundance for settlers and farmers. But the reaction of unpopularity came the minute the beneficiaries had to begin to pay for the benefits received. Then arose a concerted movement for the repudiation of the obligation of the settlers to repay the Government for what had been spent to reclaim the land. The baser part of human nature always seeks a scapegoat; and it might naturally be expected that the repudiators and their supporters should concentrate their attacks upon the head of the Reclamation Service, to whose outstanding ability and continuous labor they owed that for which they were now unwilling to pay. But no attack, not even the adverse report of an ill-humored congressional committee, can alter the fact of the tremendous service that Newell and his loyal associates in the Reclamation Service did for the nation and the people of the United States. By 1915 reclamation had added to the arable land of the country a million and a quarter acres, of which nearly eight hundred thousand acres were already "under water," and largely under tillage, producing yearly more than eighteen million dollars' worth of crops.

When Roosevelt became President there was a Bureau of Forestry in the Department of Agriculture, but it was a body entrusted with merely the study of forestry problems and principles. It contained all the trained foresters in the employ of the Government; but it had no public forest lands whatever to which the knowledge and skill of these men could be applied. All the forest reserves of that day were in the charge of the Public Land Office in the Department of the Interior. This was managed by clerks who knew nothing of forestry, and most, if not all, of whom had never seen a stick of the timber or an acre of the woodlands for which they were responsible. The mapping and description of the timber lay with the Geological Survey. So the national forests had no foresters and the Government foresters no forests.

It was a characteristic arrangement of the old days. More than that, it was a characteristic expression of the old attitude of thought and action on the part of the American people toward their natural resources. Dazzled and intoxicated by the inexhaustible riches of their bountiful land, they had concerned themselves only with the agreeable task of utilizing and consuming them. To their shortsighted vision there seemed always plenty

more beyond. With the beginning of the twentieth century a prophet arose in the land to warn the people that the supply was not inexhaustible. He declared not only that the "plenty more beyond" had an end, but that the end was already in sight. This prophet was Gifford Pinchot. His warning went forth reinforced by all the authority of the Presidential office and all the conviction and driving power of the personality of Roosevelt himself. Pinchot's warning cry was startling:

> The growth of our forests is but one-third of the annual cut; and we have in store timber enough for only twenty or thirty years at our present rate of use. . . . Our coal supplies are so far from being inexhaustible that if the increasing rate of consumption shown by the figures of the last seventy-five years continues to prevail, our supplies of anthracite coal will last but fifty years and of bituminous coal less than two hundred years. . . . Many oil and gas fields, as in Pennsylvania, West Virginia, and the Mississippi Valley, have already failed, yet vast quantities of gas continue to be poured into the air and great quantities of oil into the streams. Cases are known in which great volumes of oil were systematically burned in order to get rid of it. . . . In 1896, Professor Shaler, than whom no one has spoken with greater authority on this subject, estimated that in the upland regions of the States south of Pennsylvania, three thousand square miles of soil have been destroyed as the result of forest

denudation, and that destruction was then proceeding at the rate of one hundred square miles of fertile soil per year. . . . The Mississippi River alone is estimated to transport yearly four hundred million tons of sediment, or about twice the amount of material to be excavated from the Panama Canal. This material is the most fertile portion of the richest fields, transformed from a blessing to a curse by unrestricted erosion. . . . The destruction of forage plants by overgrazing has resulted, in the opinion of men most capable of judging, in reducing the grazing value of the public lands by one-half.

Here, then, was a problem of national significance, and it was one which the President attacked with his usual promptness and vigor. His first message to Congress called for the unification of the care of the forest lands of the public domain in a single body under the Department of Agriculture. He asked that legal authority be granted to the President to transfer to the Department of Agriculture lands for use as forest reserves. He declared that "the forest reserves should be set apart forever for the use and benefit of our people as a whole and not sacrificed to the shortsighted greed of a few." He supplemented this declaration with an explanation of the meaning and purpose of the forest policy which he urged should be adopted:

Wise forest protection does not mean the withdrawal of forest resources, whether of wood, water, or grass, from contributing their full share to the welfare of the people, but, on the contrary, gives the assurance of larger and more certain supplies. The fundamental idea of forestry is the perpetuation of forests by use. Forest protection is not an end in itself; it is a means to increase and sustain the resources of our country and the industries which depend upon them. The preservation of our forests is an imperative business necessity. We have come to see clearly that whatever destroys the forest, except to make way for agriculture, threatens our well-being.

Nevertheless it was four years before Congress could be brought to the common-sense policy of administering the forest lands still belonging to the Government. Pinchot and his associates in the Bureau of Forestry spent the interval profitably, however, in investigating and studying the whole problem of national forest resources and in drawing up enlightened and effective plans for their protection and development. Accordingly, when the act transferring the National Forests to the charge of the newly created United States Forest Service in the Department of Agriculture was passed early in 1905, they were ready for the responsibility.

The principles which they had formulated and which they now began to apply had been summed

up by Roosevelt in the statement "that the rights of the public to the natural resources outweigh private rights and must be given the first consideration." Until the establishment of the Forest Service, private rights had almost always been allowed to overbalance public rights in matters that concerned not only the National Forests, but the public lands generally. It was the necessity of having this new principle recognized and adopted that made the way of the newly created Forest Service and of the whole Conservation movement so thorny. Those who had been used to making personal profit from free and unrestricted exploitation of the nation's natural resources would look only with antagonism on a movement which put a consideration of the general welfare first.

The Forest Service nevertheless put these principles immediately into practical application. The National Forests were opened to a regulated use of all their resources. A law was passed throwing open to settlement all land in the National Forests which was found to be chiefly valuable for agriculture. Hitherto all such land had been closed to the settler. Regulations were established and enforced which favored the settler rather than the large stockowner. It was provided that, when

conditions required the reduction in the number of head of stock grazed in any National Forest, the vast herds of the wealthy owner should be affected before the few head of the small man, upon which the living of his family depended. The principle which excited the bitterest antagonism of all was the rule that any one, except a bona fide settler on the land, who took public property for private profit should pay for what he got. This was a new and most unpalatable idea to the big stock and sheep raisers, who had been accustomed to graze their animals at will on the richest lands of the public forests, with no one but themselves a penny the better off thereby. But the Attorney-General of the United States declared it legal to make the men who pastured their cattle and sheep in the National Forests pay for this privilege; and in the summer of 1906 such charges were for the first time made and collected. The trained foresters of the service were put in charge of the National Forests. As a result, improvement began to manifest itself in other ways. Within two years the fire prevention work alone had completely justified the new policy of forest regulation. Eighty-six per cent of the fires that did occur in the National Forests were held down to an area of five acres or

less. The new service not only made rapid progress in saving the timber, but it began to make money for the nation by selling the timber. In 1905 the sales of timber brought in $60,000; three years later the return was $850,000.

The National Forests were trebled in size during the two Roosevelt Administrations with the result that there were 194,000,000 acres of publicly owned and administered forest lands when Roosevelt went out of office. The inclusion of these lands in the National Forests, where they were safe from the selfish exploitation of greedy private interests, was not accomplished without the bitterest opposition. The wisdom of the serpent sometimes had to be called into play to circumvent the adroit maneuvering of these interests and their servants in Congress. In 1907, for example, Senator Charles W. Fulton of Oregon obtained an amendment to the Agricultural Appropriation Bill forbidding the President to set aside any additional National Forests in six Northwestern States. But the President and the Forest Service were ready for this bold attempt to deprive the public of some 16,000,000 acres for the benefit of land grabbers and special interests. They knew exactly what lands ought to be set aside in those States. So the

President first unostentatiously signed the necessary proclamations to erect those lands into National Forests, and then quietly approved the Agricultural Bill. "The opponents of the Forest Service," said Roosevelt, "turned handsprings in their wrath; and dire were their threats against the Executive; but the threats could not be carried out, and were really only a tribute to the efficiency of our action."

The development of a sound and enlightened forest policy naturally led to the consideration of a similar policy for dealing with the water power of the country which had hitherto gone to waste or was in the hands of private interests. It had been the immemorial custom that the water powers on the navigable streams, on the public domain, and in the National Forests should be given away for nothing, and practically without question, to the first comer. This ancient custom ran right athwart the newly enunciated principle that public property should not pass into private possession without being paid for, and that permanent grants, except for home-making, should not be made. The Forest Service now began to apply this principle to the water powers in the National Forests, granting permission for the development and use

of such power for limited periods only and requiring payment for the privilege. This was the beginning of a general water power policy which, in the course of time, commended itself to public approval; but it was long before it ceased to be opposed by the private interests that wanted these rich resources for their own undisputed use.

Out of the forest movement grew the conservation movement in its broader sense. In the fall of 1907 Roosevelt made a trip down the Mississippi River with the definite purpose of drawing general attention to the subject of the development of the national inland waterways. Seven months before, he had established the Inland Waterways Commission and had directed it to "consider the relations of the streams to the use of all the great permanent natural resources and their conservation for the making and maintenance of permanent homes." During the trip a letter was prepared by a group of men interested in the conservation movement and was presented to him, asking him to summon a conference on the conservation of natural resources. At a great meeting held at Memphis, Tennessee, Roosevelt publicly announced his intention of calling such a conference.

In May of the following year the conference was

held in the East Room of the White House. There were assembled there the President, the Vice-President, seven Cabinet members, the Supreme Court Justices, the Governors of thirty-four States and representatives of the other twelve, the Governors of all the Territories, including Alaska, Hawaii, and Porto Rico, the President of the Board of Commissioners of the District of Columbia, representatives of sixty-eight national societies, four special guests, William Jennings Bryan, James J. Hill, Andrew Carnegie, and John Mitchell, forty-eight general guests, and the members of the Inland Waterways Commission. The object of the conference was stated by the President in these words: "It seems to me time for the country to take account of its natural resources, and to inquire how long they are likely to last. We are prosperous now; we should not forget that it will be just as important to our descendants to be prosperous in their time."

At the conclusion of the conference a declaration prepared by the Governors of Louisiana, New Jersey, Wisconsin, Utah, and South Carolina, was unanimously adopted. This Magna Charta of the conservation movement declared "that the great natural resources supply the material basis upon

which our civilization must continue to depend and upon which the perpetuity of the nation itself rests," that "this material basis is threatened with exhaustion," and that "this conservation of our natural resources is a subject of transcendent importance, which should engage unremittingly the attention of the Nation, the States, and the people in earnest coöperation." It set forth the practical implications of Conservation in these words:

> We agree that the land should be so used that erosion and soil wash shall cease; and that there should be reclamation of arid and semi-arid regions by means of irrigation, and of swamp and overflowed regions by means of drainage; that the waters should be so conserved and used as to promote navigation, to enable the arid regions to be reclaimed by irrigation, and to develop power in the interests of the people; that the forests which regulate our rivers, support our industries, and promote the fertility and productiveness of the soil should be preserved and perpetuated; that the minerals found so abundantly beneath the surface should be so used as to prolong their utility; that the beauty, healthfulness, and habitability of our country should be preserved and increased; that sources of national wealth exist for the benefit of the people, and that monopoly thereof should not be tolerated.

The conference urged the continuation and extension of the forest policies already established;

the immediate adoption of a wise, active, and thorough waterway policy for the prompt improvement of the streams, and the conservation of water resources for irrigation, water supply, power, and navigation; and the enactment of laws for the prevention of waste in the mining and extraction of coal, oil, gas, and other minerals with a view to their wise conservation for the use of the people. The declaration closed with the timely adjuration, "Let us conserve the foundations of our prosperity."

As a result of the conference President Roosevelt created the National Conservation Commission, consisting of forty-nine men of prominence, about one-third of whom were engaged in politics, one-third in various industries, and one-third in scientific work. Gifford Pinchot was appointed chairman. The Commission proceeded to make an inventory of the natural resources of the United States. This inventory contains the only authentic statement as to the amounts of the national resources of the country, the degree to which they have already been exhausted, and their probable duration. But with this inventory there came to an end the activity of the Conservation Commission, for Congress not only refused any appropriation for its use but decreed by law that

no bureau of the Government should do any work for any commission or similar body appointed by the President, without reference to the question whether such work was appropriate or not for such a bureau to undertake. Inasmuch as the invaluable inventory already made had been almost entirely the work of scientific bureaus of the Government instructed by the President to coöperate with the Commission, the purpose and animus of this legislation were easily apparent. Congress had once more shown its friendship for the special interests and its indifference to the general welfare.

In February, 1909, on the invitation of President Roosevelt, a North American Conservation Conference, attended by representatives of the United States, Canada, and Mexico, was held at the White House. A declaration of principles was drawn up and the suggestion made that all the nations of the world should be invited to meet in a World Conservation Conference. The President forthwith addressed to forty-five nations a letter inviting them to assemble at The Hague for such a conference; but, as he has laconically expressed it, "When I left the White House the project lapsed."

CHAPTER X

BEING WISE IN TIME

PERHAPS the most famous of Roosevelt's epigrammatic sayings is, "Speak softly and carry a big stick." The public, with its instinctive preference for the dramatic over the significant, promptly seized upon the "big stick" half of the aphorism and ignored the other half. But a study of the various acts of Roosevelt when he was President readily shows that in his mind the "big stick" was purely subordinate. It was merely the *ultima ratio*, the possession of which would enable a nation to "speak softly" and walk safely along the road of peace and justice and fair play.

The secret of Roosevelt's success in foreign affairs is to be found in another of his favorite sayings: "Nine-tenths of wisdom is to be wise in time." He has himself declared that his whole foreign policy "was based on the exercise of intelligent foresight and of decisive action sufficiently

far in advance of any likely crisis to make it improbable that we would run into serious trouble."

When Roosevelt became President, a perplexing controversy with Great Britain over the boundary line between Alaska and Canada was in full swing. The problem, which had become acute with the discovery of gold in the Klondike in 1897, had already been considered, together with eleven other subjects of dispute between Canada and the United States, by a Joint Commission which had been able to reach no agreement. The essence of the controversy was this: The treaty of 1825 between Great Britain and Russia had declared that the boundary, dividing British and Russian America on that five-hundred-mile strip of land which depends from the Alaskan elephant's head like a dangling halter rope, should be drawn "parallel to the windings of the coast" at a distance inland of thirty miles. The United States took the plain and literal interpretation of these words in the treaty. The Canadian contention was that within the meaning of the treaty the fiords or inlets which here break into the land were not part of the sea, and that the line, instead of following, at the correct distance inland, the indentations made by these arms of the sea, should leap boldly across

them, at the agreed distance from the points of the headlands. This would give Canada the heads of several great inlets and direct access to the sea far north of the point where the Canadian coast had always been assumed to end. Canada and the United States were equally resolute in upholding their claims. It looked as if the matter would end in a deadlock.

John Hay, who had been Secretary of State in McKinley's Cabinet, as he now was in Roosevelt's, had done his best to bring the matter to a settlement, but had been unwilling to have the dispute arbitrated, for the very good reason that, as he said, "although our claim is as clear as the sun in heaven, we know enough of arbitration to foresee the fatal tendency of all arbitrators to compromise." Roosevelt believed that the "claim of the Canadians for access to deep water along any part of the Alaskan coast is just exactly as indefensible as if they should now claim the island of Nantuckct." He was willing, however, to refer the question unconfused by other issues to a second Joint Commission of six. The commission was duly constituted. There was no odd neutral member of this body, as in an arbitration, but merely three representatives from each side. Of the British

representatives two were Canadians and the third was the Lord Chief Justice of England, Lord Alverstone.

But before the Commission met, the President took pains to have conveyed to the British Cabinet, in an informal but diplomatically correct way, his views and his intentions in the event of a disagreement. "I wish to make one last effort," he said, "to bring about an agreement through the Commission which will enable the people of both countries to say that the result represents the feeling of the representatives of both countries. But if there is a disagreement, I wish it distinctly understood, not only that there will be no arbitration of the matter, but that in my message to Congress I shall take a position which will prevent any possibility of arbitration hereafter." If this should seem to any one too vigorous flourishing of the "big stick," let him remember that it was all done through confidential diplomatic channels, and that the judgment of the Lord Chief Justice of England, when the final decision was made, fully upheld Roosevelt's position.

The decision of the Commission was, with slight immaterial modifications, in favor of the United States. Lord Alverstone voted against his Cana-

dian colleagues. It was a just decision, as most well-informed Canadians knew at the time. The troublesome question was settled; the time-honored friendship of two great peoples had suffered no interruption; and Roosevelt had secured for his country its just due, without public parade or bluster, by merely being wise — and inflexible — in time.

During the same early period of his Presidency, Roosevelt found himself confronted with a situation in South America which threatened a serious violation of the Monroe Doctrine. Venezuela was repudiating certain debts which the Venezuelan Government had guaranteed to European capitalists. German capital was chiefly involved, and Germany proposed to collect the debts by force. Great Britain and Italy were also concerned in the matter, but Germany was the ringleader and the active partner in the undertaking. Throughout the year 1902 a pacific blockade of the Venezuelan coast was maintained and in December of that year an ultimatum demanding the immediate payment of the debts was presented. When its terms were not complied with, diplomatic relations were broken off and the Venezuelan fleet was seized. At this point the United States en-

tered upon the scene, but with no blare of trumpets. In fact, what really happened was not generally known until several years later.

In his message of December, 1901, President Roosevelt had made two significant statements. Speaking of the Monroe Doctrine, he said, "We do not guarantee any state against punishment, if it misconducts itself." This was very satisfactory to Germany. But he added — "provided the punishment does not take the form of the acquisition of territory by any non-American power." This did not suit the German book so well. For a year the matter was discussed. Germany disclaimed any intention to make "permanent" acquisitions in Venezuela but contended for its right to make "temporary" ones. Now the world had already seen "temporary" acquisitions made in China, and it was a matter of common knowledge that this convenient word was often to be interpreted in a Pickwickian sense.

When the "pacific blockade" passed into the stage of active hostilities, the patience of Roosevelt snapped. The German Ambassador, von Holleben, was summoned to the White House. The President proposed to him that Germany should arbitrate its differences with Venezuela. Von

Holleben assured him that his "Imperial Master" would not hear of such a course. The President persisted that there must be no taking possession, even temporarily, of Venezuelan territory. He informed the Ambassador that Admiral Dewey was at that moment maneuvering in Caribbean waters, and that if satisfactory assurances did not come from Berlin in ten days, he would be ordered to proceed to Venezuela to see that no territory was seized by German forces. The Ambassador was firm in his conviction that no assurances would be forthcoming.

A week later von Holleben appeared at the White House to talk of another matter and was about to leave without mentioning Venezuela. The President stopped him with a question. No, said the Ambassador, no word had come from Berlin. Then, Roosevelt explained, it would not be necessary for him to wait the remaining three days. Dewey would be instructed to sail a day earlier than originally planned. He added that not a word of all this had been put upon paper, and that if the German Emperor would consent to arbitrate, the President would praise him publicly for his broad-mindedness. The Ambassador was still convinced that no arbitration was conceivable.

But just twelve hours later he appeared at the White House, his face wreathed in smiles. On behalf of his Imperial Master he had the honor to request the President of the United States to act as arbitrator between Germany and Venezuela. The orders to Dewey were never sent, the President publicly congratulated the Kaiser on his loyalty to the principle of arbitration, and, at Roosevelt's suggestion, the case went to The Hague. Not an intimation of the real occurrences came out till long after, not a public word or act marred the perfect friendliness of the two nations. The Monroe Doctrine was just as unequivocally invoked and just as inflexibly upheld as it had been by Grover Cleveland eight years before in another Venezuelan case. But the quiet private warning had been substituted for the loud public threat.

The question of the admission of Japanese immigrants to the United States and of their treatment had long disturbed American international relations. It became acute in the latter part of 1906, when the city of San Francisco determined to exclude all Japanese pupils from the public schools and to segregate them in a school of their own. This action seemed to the Japanese a manifest violation of the rights guaranteed by treaty.

Diplomatic protests were instantly forthcoming at Washington; and popular demonstrations against the United States boiled up in Tokyo. For the third time there appeared splendid material for a serious conflict with a great power which might conceivably lead to active hostilities. From such beginnings wars have come before now.

The President was convinced that the Californians were utterly wrong in what they had done, but perfectly right in the underlying conviction from which their action sprang. He saw that justice and good faith demanded that the Japanese in California be protected in their treaty rights, and that the Californians be protected from the immigration of Japanese laborers in mass. With characteristic promptness and vigor he set forth these two considerations and took action to make them effective. In his message to Congress in December he declared: "In the matter now before me, affecting the Japanese, everything that is in my power to do will be done and all of the forces, military and civil, of the United States which I may lawfully employ will be so employed . . . to enforce the rights of aliens under treaties." Here was reassurance for the Japanese. But he also added: "The Japanese would themselves not tolerate the

intrusion into their country of a mass of Americans who would displace Japanese in the business of the land. The people of California are right in insisting that the Japanese shall not come thither in mass." Here was reassurance for the Californians.

The words were promptly followed by acts. The garrison of Federal troops at San Francisco was reinforced and public notice was given that violence against Japanese would be put down. Suits were brought both in the California State courts and in the Federal courts there to uphold the treaty rights of Japan. Mr. Victor H. Metcalf, the Secretary of Commerce and Labor, himself a Californian, was sent to San Francisco to make a study of the whole situation. It was made abundantly clear to the people of San Francisco and the Coast that the provision of the Federal Constitution making treaties a part of the supreme law of the land, with which the Constitution and laws of no State can interfere, would be strictly enforced. The report of Secretary Metcalf showed that the school authorities of San Francisco had done not only an illegal thing but an unnecessary and a stupid thing.

Meanwhile Roosevelt had been working with equal vigor upon the other side of the problem.

He esteemed it precisely as important to protect the Californians from the Japanese as to protect the Japanese from the Californians. As in the Alaskan and Venezuelan cases, he proceeded without beat of drum or clash of cymbal. The matter was worked out in unobtrusive conferences between the President and the State Department and the Japanese representatives in Washington. It was all friendly, informal, conciliatory — but the Japanese did not fail to recognize the inflexible determination behind this courteous friendliness. Out of these conferences came an informal agreement on the part of the Japanese Government that no passports would be issued to Japanese workingmen permitting them to leave Japan for ports of the United States. It was further only necessary to prevent Japanese coolies from coming into the United States through Canada and Mexico. This was done by executive order just two days after the school authorities of San Francisco had rescinded their discriminatory school decree.

The incident is eminently typical of Roosevelt's principles and practice: to accord full measure of justice while demanding full measure in return; to be content with the fact without care for the formality; to see quickly, to look far, and to act boldly.

It had a sequel which rounded out the story. The President's ready willingness to compel California to do justice to the Japanese was misinterpreted in Japan as timidity. Certain chauvinistic elements in Japan began to have thoughts which were in danger of becoming inimical to the best interests of the United States. It seemed to President Roosevelt an opportune moment, for many reasons, to send the American battle fleet on a voyage around the world. The project was frowned on in this country and viewed with doubt in other parts of the world. Many said the thing could not be done, for no navy in the world had yet done it; but Roosevelt knew that it could. European observers believed that it would lead to war with Japan; but Roosevelt's conviction was precisely the opposite. In his own words, "I did not expect it; . . . I believed that Japan would feel as friendly in the matter as we did; but . . . if my expectations had proved mistaken, it would have been proof positive that we were going to be attacked anyhow, and . . . in such event it would have been an enormous gain to have had the three months' preliminary preparation which enabled the fleet to start perfectly equipped. In a personal interview before they left, I had explained to the

officers in command that I believed the trip would be one of absolute peace, but that they were to take exactly the same precautions against sudden attack of any kind as if we were at war with all the nations of the earth; and that no excuse of any kind would be accepted if there were a sudden attack of any kind and we were taken unawares." Prominent inhabitants and newspapers of the Atlantic coast were deeply concerned over the taking away of the fleet from the Atlantic to the Pacific. The head of the Senate Committee on Naval Affairs, who hailed from the State of Maine, declared that the fleet should not and could not go because Congress would refuse to appropriate the money. Roosevelt announced in response that he had enough money to take the fleet around into the Pacific anyhow, that it would certainly go, and that if Congress did not choose to appropriate enough money to bring the fleet back, it could stay there. There was no further difficulty about the money.

The voyage was at once a hard training trip and a triumphant progress. Everywhere the ships, their officers, and their men were received with hearty cordiality and deep admiration, and nowhere more so than in Japan. The nations

of the world were profoundly impressed by the achievement. The people of the United States were thoroughly aroused to a new pride in their navy and an interest in its adequacy and efficiency. It was definitely established in the minds of Americans and foreigners that the United States navy is rightfully as much at home in the Pacific as in the Atlantic. Any cloud the size of a man's hand that may have been gathering above the Japanese horizon was forthwith swept away. Roosevelt's plan was a novel and bold use of the instruments of war on behalf of peace which was positively justified in the event.

CHAPTER XI

RIGHTS, DUTIES, AND REVOLUTIONS

It was a favorite conviction of Theodore Roosevelt that neither an individual nor a nation can possess rights which do not carry with them duties. Not long after the Venezuelan incident — in which the right of the United States, as set forth in the Monroe Doctrine, to prevent European powers from occupying territory in the Western Hemisphere was successfully upheld — an occasion arose nearer home not only to insist upon rights but to assume the duties involved. In a message to the Senate in February, 1905, Roosevelt thus outlined his conception of the dual nature of the Monroe Doctrine:

> It has for some time been obvious that those who profit by the Monroe Doctrine must accept certain responsibilities along with the rights which it confers, and that the same statement applies to those who uphold the doctrine. . . . An aggrieved nation can, without interfering with the Monroe Doctrine, take what action it sees fit in the adjustment of its disputes

with American states, provided that action does not take the shape of interference with their form of government or of the despoilment of their territory under any disguise. But short of this, when the question is one of a money claim, the only way which remains finally to collect it is a blockade or bombardment or seizure of the custom houses, and this means . . . what is in effect a possession, even though only a temporary possession, of territory. The United States then becomes a party in interest, because under the Monroe Doctrine it cannot see any European power seize and permanently occupy the territory of one of these republics; and yet such seizure of territory, disguised or undisguised, may eventually offer the only way in which the power in question can collect its debts, unless there is interference on the part of the United States.

Roosevelt had already found such interference necessary in the case of Germany and Venezuela. But it had been interference in a purely negative sense. He had merely insisted that the European power should not occupy American territory even temporarily. In the later case of the Dominican Republic he supplemented this negative interference with positive action based upon his conviction of the inseparable nature of rights and obligations.

Santo Domingo was in its usual state of chronic revolution. The stakes for which the rival forces were continually fighting were the custom houses,

for they were the only certain sources of revenue and their receipts were the only reliable security which could be offered to foreign capitalists in support of loans. So thoroughgoing was the demoralization of the Republic's affairs that at one time there were two rival "governments" in the island and a revolution going on against each. One of these governments was once to be found at sea in a small gunboat but still insisting that, as the only legitimate government, it was entitled to declare war or peace or, more particularly, to make loans. The national debt of the Republic had mounted to $32,280,000 of which some $22,000,000 was owed to European creditors. The interest due on it in the year 1905 was two and a half million dollars. The whole situation was ripe for intervention by one or more European governments.

Such action President Roosevelt could not permit. But he could not ignore the validity of the debts which the Republic had contracted or the justice of the demand for the payment of at least the interest. "It cannot in the long run prove possible," he said, "for the United States to protect delinquent American nations from punishment for the non-performance of their duties unless she undertakes to make them perform their duties." So

he invented a plan, which, by reason of its success in the Dominican case and its subsequent application and extension by later administrations, has come to be a thoroughly accepted part of the foreign policy of the United States. It ought to be known as the Roosevelt Plan, just as the amplification of the Monroe Doctrine already outlined might well be known as the Roosevelt Doctrine.

A naval commander in Dominican waters was instructed to see that no revolutionary fighting was permitted to endanger the custom houses. These instructions were carried out explicitly but without any actual use of force or shedding of blood. On one occasion two rival forces had planned a battle in a custom-house town. The American commander informed them courteously but firmly that they would not be permitted to fight there, for a battle might endanger the custom house. He had no objection, however, to their fighting. In fact he had picked out a nice spot for them outside the town where they might have their battle undisturbed. The winner could have the town. Would they kindly step outside for their fight. They would; they did. The American commander gravely welcomed the victorious faction as the rightful rulers of the town.

So much for keeping the custom houses intact. But the Roosevelt Plan went much further. An agreement was entered into with those governmental authorities "who for the moment seemed best able to speak for the country" by means of which the custom houses were placed under American control. United States forces were to keep order and to protect the custom houses; United States officials were to collect the customs dues; forty-five per cent of the revenue was to be turned over to the Dominican Government, and fifty-five per cent put into a sinking fund in New York for the benefit of the creditors. The plan succeeded famously. The Dominicans got more out of their forty-five per cent than they had been wont to get when presumably the entire revenue was theirs. The creditors thoroughly approved, and their Governments had no possible pretext left for interference. Although the plan concerned itself not at all with the internal affairs of the Republic, its indirect influence was strong for good and the island enjoyed a degree of peace and prosperity such as it had not known before for at least a century. There was, however, strong opposition in the United States Senate to the ratification of the treaty with the Dominican Republic. The Democrats, with

one or two exceptions, voted against ratification. A number of the more reactionary Republican Senators, also, who were violently hostile to President Roosevelt because of his attitude toward great corporations, lent their opposition. The Roosevelt Plan was further attacked by certain sections of the press, already antagonistic on other grounds, and by some of those whom Roosevelt called the "professional interventional philanthropists." It was two years before the Senate was ready to ratify the treaty, but meanwhile Roosevelt continued to carry it out "as a simple agreement on the part of the Executive which could be converted into a treaty whenever the Senate was ready to act."

The treaty as finally ratified differed in some particulars from the protocol. In the protocol the United States agreed "to respect the complete territorial integrity of the Dominican Republic." This covenant was omitted in the final document in deference to Roosevelt's opponents who could see no difference between "respecting" the integrity of territory and "guaranteeing" it. Another clause pledging the assistance of the United States in the internal affairs of the Republic, whenever the judgment of the American Government deemed it to be wise, was also omitted. The provision of the

protocol making it the duty of the United States to deal with the various creditors of the Dominican Republic in order to determine the amount which each was to receive in settlement of its claims was modified so that this responsibility remained with the Government of the Republic. In Roosevelt's opinion, these modifications in the protocol detracted nothing from the original plan. He ascribed the delay in the ratification of the treaty to partisanship and bitterness against himself; and it is certainly true that most of the treaty's opponents were his consistent critics on other grounds.

A considerable portion of Roosevelt's success as a diplomat was the fruit of personality, as must be the case with any diplomat who makes more than a routine achievement. He disarmed suspicion by transparent honesty, and he impelled respect for his words by always promising or giving warning of not a hairsbreadth more than he was perfectly willing and thoroughly prepared to perform. He was always cheerfully ready to let the other fellow "save his face." He set no store by public triumphs. He was as exigent that his country should do justly as he was insistent that it should be done justly by. Phrases had no lure for him, appearances no glamour.

It was inevitable that so commanding a personality should have an influence beyond the normal sphere of his official activities. Only a man who had earned the confidence and the respect of the statesmen of other nations could have performed such a service as he did in 1905 in bringing about peace between Russia and Japan in the conflict then raging in the Far East. It was high time that the war should end, in the interest of both contestants. The Russians had been consistently defeated on land and had lost their entire fleet at the battle of Tsushima. The Japanese were apparently on the highroad to victory. But in reality, Japan's success had been bought at an exorbitant price. Intelligent observers in the diplomatic world who were in a position to realize the truth knew that neither nation could afford to go on.

On June 8, 1905, President Roosevelt sent to both Governments an identical note in which he urged them, "not only for their own sakes, but in the interest of the whole civilized world, to open direct negotiations for peace with each other." This was the first that the world heard of the proposal. But the President had already conducted, with the utmost secrecy, confidential negotiations with Tokyo and with St. Petersburg to induce both

belligerents to consent to a face to face discussion of peace. In Russia he had found it necessary to go directly to the Czar himself, through the American Ambassador, George von Lengerke Meyer. Each Government was assured that no breath of the matter would be made public until both nations had signified their willingness to treat. Neither nation was to know anything of the other's readiness until both had committed themselves. These advances appear to have been made following a suggestion from Japan that Roosevelt should attempt to secure peace. He used to say, in discussing the matter, that, while it was not generally known or even suspected, Japan was actually "bled white" by the herculean efforts she had made. But Japan's position was the stronger, and peace was more important for Russia than for her antagonist. The Japanese were more clear-sighted than the selfish Russian bureaucracy; and they realized that they had gained so much already that there was nothing to be won by further fighting.

When the public invitation to peace negotiations was extended, the conference had already been arranged and the confidential consent of both Governments needed only to be made formal. Russia wished the meeting of plenipotentiaries to

take place at Paris, Japan preferred Chifu, in China. Neither liked the other's suggestion, and Roosevelt's invitation to come to Washington, with the privilege of adjourning to some place in New England if the weather was too hot, was finally accepted. The formal meeting between the plenipotentiaries took place at Oyster Bay on the 5th of August on board the Presidential yacht, the *Mayflower*. Roosevelt received his guests in the cabin and proposed a toast in these words: "Gentlemen, I propose a toast to which there will be no answer and which I ask you to drink in silence, standing. I drink to the welfare and prosperity of the sovereigns and the peoples of the two great nations whose representatives have met one another on this ship. It is my earnest hope and prayer, in the interest not only of these two great powers, but of all civilized mankind, that a just and lasting peace may speedily be concluded between them."

The two groups of plenipotentiaries were carried, each on an American naval vessel, to Portsmouth, New Hampshire, and there at the Navy Yard began their conference. Two-thirds of the terms proposed by Japan were promptly accepted by the Russian envoys. But an irretrievable split on the remainder seemed inevitable. Japan demanded a

money indemnity and the cession of the southern half of the island of Saghalien, which Japanese forces had already occupied. These demands the Russians refused.

Then Roosevelt took a hand in the proceedings. He urged the Japanese delegates, through the Japanese Ambassador, to give up their demand for an indemnity. He pointed out that, when it came to "a question of rubles," the Russian Government and the Russian people were firmly resolved not to yield. To Baron Rosen, one of the Russian delegates, he recommended yielding in the matter of Saghalien, since the Japanese were already in possession and there were racial and historical grounds for considering the southern half of the island logically Japanese territory. The envoys met again, and the Japanese renewed their demands. The Russians refused. Then the Japanese offered to waive the indemnity if the Russians would yield on Saghalien. The offer was accepted, and the peace was made.

Immediately Roosevelt was acclaimed by the world, including the Russians and the Japanese, as a great peacemaker. The Nobel Peace Prize of a medal and $40,000 was awarded to him. But it was not long before both in Russia and Japan

public opinion veered to the point of asserting that he had caused peace to be made too soon and to the detriment of the interests of the nation in question. That was just what he expected. He knew human nature thoroughly; and from long experience he had learned to be humorously philosophical about such manifestations of man's ingratitude.

In the next year the influence of Roosevelt's personality was again felt in affairs outside the traditional realm of American international interests. Germany was attempting to intrude in Morocco, where France by common consent had been the dominant foreign influence. The rattling of the Potsdam saber was threatening the tranquillity of the *status quo.* A conference of eleven European powers and the United States was held at Algeciras to readjust the treaty provisions for the protection of foreigners in the decadent Moroccan empire. In the words of a historian of America's foreign relations, "Although the United States was of all perhaps the least directly interested in the subject matter of dispute, and might appropriately have held aloof from the meeting altogether, its representatives were among the most influential of all, and it was largely owing to their sane and irenic influence that in the end a treaty

was amicably made and signed."[1] But there was something behind all this. A quiet conference had taken place one day in the remote city of Washington. The President of the United States and the French Ambassador had discussed the approaching meeting at Algeciras. There was a single danger-point in the impending negotiations. The French must find a way around it. The Ambassador had come to the right man. He went out with a few words scratched on a card in the ragged Roosevelt handwriting containing a proposal for a solution.[2] The proposal went to Paris, then to Morocco. The solution was adopted by the conference, and the Hohenzollern menace to the peace of the world was averted for the moment. Once more Roosevelt had shown how being wise in time was the sure way to peace.

Roosevelt's most important single achievement as President of the United States was the building of the Panama Canal. The preliminary steps which he took in order to make its building possible have been, of all his executive acts, the most consistently and vigorously criticized.

[1] Willis Fletcher Johnson, *America's Foreign Relations*, vol. II, p. 375.

[2] The author had this story direct from Mr. Roosevelt himself.

It is not our purpose here to follow at length the history of American diplomatic relations with Colombia and Panama. We are primarily concerned with the part which Roosevelt played in certain international occurrences, of which the Panama incident was not the least interesting and significant. In after years Roosevelt said laconically, "I took Panama." In fact he did nothing of the sort. But it was like him to brush aside all technical defenses of any act of his and to meet his critics on their own ground. It was as though he said to them, "You roundly denounce me for what I did at the time of the revolution which established the Republic of Panama. You declare that my acts were contrary to international law and international morals. I have a splendid technical defense on the legal side; but I care little about technicalities when compared with reality. Let us admit that I did what you charge me with. I will prove to you that I was justified in so doing. I took Panama; but the taking was a righteous act."

Fourteen years after that event, in a speech which he made in Washington, Roosevelt expressed his dissatisfaction with the way in which President Wilson was conducting the Great War. He reverted to what he had done in relation to Panama and contrasted

his action with the failure of the Wilson Administration to take prompt possession of two hundred locomotives which had been built in this country for the late Russian Government. This is what he said:

What I think, of course, in my view of the proper governmental policy, should have been done was to take the two hundred locomotives and then discuss. That was the course that I followed, and to which I have ever since looked back with impenitent satisfaction, in reference to the Panama Canal. If you remember, Panama declared itself independent and wanted to complete the Panama Canal and opened negotiations with us. I had two courses open. I might have taken the matter under advisement and put it before the Senate, in which case we should have had a number of most able speeches on the subject. We would have had a number of very profound arguments, and they would have been going on now, and the Panama Canal would be in the dim future yet. We would have had half a century of discussion, and perhaps the Panama Canal. I preferred that we should have the Panama Canal first and the half century of discussion afterward. And now instead of discussing the canal before it was built, which would have been harmful, they merely discuss me — a discussion which I regard with benign interest.

The facts of the case are simple and in the main undisputed. Shortly after the inauguration of Roosevelt as President, a treaty was negotiated

with Colombia for the building of a canal at Panama. It provided for the lease to the United States of a strip six miles wide across the Isthmus, and for the payment to Colombia of $10,000,000 down and $250,000 a year, beginning nine years later. The treaty was promptly ratified by the United States Senate. A special session of the Colombian Senate spent the summer marking time and adjourned after rejecting the treaty by a unanimous vote. The dominant motive for the rejection was greed. An attempt was first made by the dictatorial government that held the Colombian Congress in its mailed hand to extort a large payment from the French Canal Company, whose rights and property on the Isthmus were to be bought by the United States for $40,000,000. Then $15,000,000 instead of $10,000,000 was demanded from the United States. Finally an adroit and conscienceless scheme was invented by which the entire rights of the French Canal Company were to be stolen by the Colombian Government. This last plot, however, would involve a delay of a year or so. The treaty was therefore rejected in order to provide the necessary delay.

But the people of Panama wanted the Canal. They were tired of serving as the milch cow for

the fattening of the Government at Bogota. So they quietly organized a revolution. It was a matter of common knowledge that it was coming. Roosevelt, as well as the rest of the world, knew it and, believing in the virtue of being wise in time, prepared for it. Several warships were dispatched to the Isthmus.

The revolution came off promptly as expected. It was bloodless, for the American naval forces, fulfilling the treaty obligations of the United States, prevented the Colombian troops on one side of the Isthmus from using the Panama Railroad to cross to the other side where the revolutionists were. So the revolutionists were undisturbed. A republic was immediately declared and immediately recognized by the United States. A treaty with the new Republic, which guaranteed its independence and secured the cession of a zone ten miles wide across the Isthmus, was drawn up inside of two weeks and ratified by both Senates within three months. Six weeks later an American commission was on the ground to plan the work of construction. The Canal was built. The "half century of discussion" which Roosevelt foresaw is now more than a third over, and the discussion shows no sign of lagging. But the Panama Canal is in use.

Was the President of the United States justified in preventing the Colombian Government from fighting on the Isthmus to put down the unanimous revolution of the people of Panama? That is precisely all that he did. He merely gave orders to the American admiral on the spot to "prevent the disembarkation of Colombian troops with hostile intent within the limits of the state of Panama." But that action was enough, for the Isthmus is separated from Colombia on the one hand by three hundred miles of sea, and on the other by leagues of pathless jungle.

Roosevelt himself has summed up the action of the United States in this way:

From the beginning to the end our course was straightforward and in absolute accord with the highest of standards of international morality. . . . To have acted otherwise than I did would have been on my part betrayal of the interests of the United States, indifference to the interests of Panama, and recreancy to the interests of the world at large. Colombia had forfeited every claim to consideration; indeed, this is not stating the case strongly enough: she had so acted that yielding to her would have meant on our part that culpable form of weakness which stands on a level with wickedness. . . . We gave to the people of Panama self-government, and freed them from subjection to alien oppressors. We did our best to get Colombia to

let us treat her with more than generous justice; we exercised patience to beyond the verge of proper forbearance. . . . I deeply regretted, and now deeply regret, the fact that the Colombian Government rendered it imperative for me to take the action I took; but I had no alternative, consistent with the full performance of my duty to my own people, and to the nations of mankind.

The final verdict will be given only in another generation by the historian and by the world at large. But no portrait of Theodore Roosevelt, and no picture of his times, can be complete without the bold, firm outlines of his Panama policy set as near as may be in their proper perspective.

CHAPTER XII

THE TAFT ADMINISTRATION

In the evening of that election day in 1904 which saw Roosevelt made President in his own right, after three years of the Presidency given him by fate, he issued a brief statement, in which he said: "The wise custom which limits the President to two terms regards the substance and not the form, and under no circumstances will I be a candidate for or accept another nomination." From this determination, which in his mind related to a third consecutive term, and to nothing else, he never wavered. Four years later, in spite of a widespread demand that he should be a candidate to succeed himself, he used the great influence and prestige of his position as President and leader of his party to bring about the nomination of his friend and close associate, William Howard Taft. The choice received general approval from the Republican party and from the country at large,

although up to the very moment of the nomination in the convention at Chicago there was no certainty that a successful effort to stampede the convention for Roosevelt would not be made by his more irreconcilable supporters.

Taft was elected by a huge popular plurality. His opponent was William Jennings Bryan, who was then making his third unsuccessful campaign for the Presidency. Taft's election, like his nomination, was assured by the unreserved and dynamic support accorded him by President Roosevelt. Taft, of course, was already an experienced statesman, high in the esteem of the nation for his public record as Federal judge, as the first civil Governor of the Philippines, and as Secretary of War in the Roosevelt Cabinet. There was every reason to predict for him a successful and effective Administration. His occupancy of the White House began under smiling skies. He had behind him a united party and a satisfied public opinion. Even his political opponents conceded that the country would be safe in his hands. It was expected that he would be conservatively progressive and progressively conservative. Everybody believed in him. Yet within a year of the day of his inauguration the President's popularity

was sharply on the wane. Two years after his election the voters repudiated the party which he led. By the end of his Presidential term the career which had begun with such happy auguries had become a political tragedy. There were then those who recalled the words of the Roman historian, "All would have believed him capable of governing if only he had not come to govern."

It was not that the Taft Administration was barren of achievement. On the contrary, its record of accomplishment was substantial. Of two amendments to the Federal Constitution proposed by Congress, one was ratified by the requisite number of States before Taft went out of office, and the other was finally ratified less than a month after the close of his term. These were the amendment authorizing the imposition of a Federal income tax and that providing for the direct election of United States Senators. Two States were admitted to the Union during Taft's term of office, New Mexico and Arizona, the last Territories of the United States on the continent, except Alaska.

Other achievements of importance during Taft's Administration were the establishment of the parcels post and the postal savings banks; the requirement of publicity, through sworn statements of

the candidates, for campaign contributions for the election of Senators and Representatives; the extension of the authority of the Interstate Commerce Commission over telephone, telegraph, and cable lines; an act authorizing the President to withdraw public lands from entry for the purpose of conserving the natural resources which they may contain — something which Roosevelt had already done without specific statutory authorization; the establishment of a Commerce Court to hear appeals from decisions of the Interstate Commerce Commission; the appointment of a commission, headed by President Hadley of Yale, to investigate the subject of railway stock and bond issues, and to propose a law for the Federal supervision of such railway securities; the Mann "white slave" act, dealing with the transfer of women from one State to another for immoral purposes; the establishment of the Children's Bureau in the Department of Commerce and Labor; the empowering of the Interstate Commerce Commission to investigate all railway accidents; the creation of Forest Reserves in the White Mountains and in the southern Appalachians.

Taft's Administration was further marked by economy in expenditure, by a considerable extension

of the civil service law to cover positions in the executive departments hitherto free plunder for the spoilsmen, and by efforts on the part of the President to increase the efficiency and the economical administration of the public service.

But this good record of things achieved was not enough to gain for Mr. Taft popular approval. Items on the other side of the ledger were pointed out. Of these the three most conspicuous were the Payne-Aldrich tariff, the Ballinger-Pinchot controversy, and the insurgent movement in Congress.

The Republican party was returned to power in 1908, committed to a revision of the tariff. Though the party platform did not so state, this was generally interpreted as a pledge of revision downward. Taft made it clear during his campaign that such was his own reading of the party pledge. He said, for instance, "It is my judgment that there are many schedules of the tariff in which the rates are excessive, and there are a few in which the rates are not sufficient to fill the measure of conservative protection. It is my judgment that a revision of the tariff in accordance with the pledge of the platform, will be, on the whole, a substantial revision downward, though there probably will be a few exceptions in this regard." Five months after Taft's

inauguration the Payne-Aldrich bill became law with his signature. In signing it the President said, "The bill is not a perfect bill or a complete compliance with the promises made, strictly interpreted"; but he further declared that he signed it because he believed it to be "the result of a sincere effort on the part of the Republican party to make downward revision."

This view was not shared by even all Republicans. Twenty of them in the House voted against the bill on its final passage, and seven of them in the Senate. They represented the Middle West and the new element and spirit in the Republican party. Their dissatisfaction with the performance of their party associates in Congress and in the White House was shared by their constituents and by many other Republicans throughout the country. A month after the signing of the tariff law, Taft made a speech at Winona, Minnesota, in support of Congressman James A. Tawney, the one Republican representative from Minnesota who had not voted against the bill. In the course of that speech he said, "This is the best tariff bill that the Republican party has ever passed, and, therefore, the best tariff bill that has been passed at all."

He justified Mr. Tawney's action in voting for

the bill and his own in signing it on the ground that "the interests of the country, the interests of the party" required the sacrifice of the accomplishment of certain things in the revision of the tariff which had been hoped for, "in order to maintain party solidity," which he believed to be much more important than the reduction of rates in one or two schedules of the tariff.

A second disaster to the Taft Administration came in the famous Ballinger-Pinchot controversy. Louis R. Glavis, who had served as a special agent of the General Land Office to investigate alleged frauds in certain claims to coal lands in Alaska, accused Richard Ballinger, the Secretary of the Interior, of favoritism toward those who were attempting to get public lands fraudulently. The charges were vigorously supported by Mr. Pinchot, who broadened the accusation to cover a general indifference on the part of the Secretary of the Interior to the whole conservation movement. President Taft, however, completely exonerated Secretary Ballinger from blame and removed Glavis for "filing a disingenuous statement unjustly impeaching the official integrity of his superior officer." Later Pinchot was also dismissed from the service. The charges against Secretary Ballinger

were investigated by a joint committee of Congress, a majority of which exonerated the accused Cabinet officer. Nevertheless the whole controversy, which raged with virulence for many months, convinced many ardent supporters of the conservation movement, and especially many admirers of Mr. Pinchot and of Roosevelt, that the Taft Administration at the best was possessed of little enthusiasm for conservation. There was a widespread belief, as well, that the President had handled the whole matter maladroitly and that in permitting himself to be driven to a point where he had to deprive the country of the services of Gifford Pinchot, the originator of the conservation movement, he had displayed unsound judgment and deplorable lack of administrative ability.

The first half of Mr. Taft's term was further marked by acute dissensions in the Republican ranks in Congress. Joseph G. Cannon was Speaker of the House, as he had been in three preceding Congresses. He was a reactionary Republican of the most pronounced type. Under his leadership the system of autocratic party control of legislation in the House had been developed to a high point of effectiveness. The Speaker's authority had become in practice almost unrestricted.

In the congressional session of 1909–10 a strong movement of insurgency arose within the Republican party in Congress against the control of the little band of leaders dominated by the Speaker. In March, 1910, the Republican Insurgents, forty in number, united with the Democratic minority to overrule a formal decision of the Speaker. A four days' parliamentary battle resulted, culminating in a reorganization of the all-powerful Rules Committee, with the Speaker no longer a member of it. The right of the Speaker to appoint this committee was also taken away. When the Democrats came into control of the House in 1911, they completed the dethronement of the Speaker by depriving him of the appointment of all committees.

The old system had not been without its advantages, when the power of the Speaker and his small group of associate party leaders was not abused. It at least concentrated responsibility in a few prominent members of the majority party. But it made it possible for these few men to perpetuate a machine and to ignore the desires of the rest of the party representatives and of the voters of the party throughout the country. The defeat of Cannonism put an end to the autocratic power of the Speaker and relegated him to the position of

a mere presiding officer. It had also a wider significance, for it portended the division in the old Republican party out of which was to come the new Progressive party.

When the mid-point of the Taft Administration was reached, a practical test was given of the measure of popular approval which the President and his party associates had achieved. The congressional elections went decidedly against the Republicans. The Republican majority of forty-seven in the House was changed to a Democratic majority of fifty-four. The Republican majority in the Senate was cut down from twenty-eight to ten. Not only were the Democrats successful in this substantial degree, but many of the Western States elected Progressive Republicans instead of Republicans of the old type. During the last two years of his term, the President was consequently obliged to work with a Democratic House and with a Senate in which Democrats and Insurgent Republicans predominated over the old-line Republicans.

The second half of Taft's Presidency was productive of little but discord and dissatisfaction. The Democrats in power in the House were quite ready to harass the Republican President, especially

in view of the approaching Presidential election. The Insurgents in House and Senate were not entirely unwilling to take a hand in the same game. Besides, they found themselves more and more in sincere disagreement with the President on matters of fundamental policy, though not one of them could fairly question his integrity of purpose, impugn his purity of character, or deny his charm of personality.

Three weeks after Taft's inauguration, Roosevelt sailed for Africa, to be gone for a year hunting big game. He went with a warm feeling of friendship and admiration for the man whom he had done so much to make President. He had high confidence that Taft would be successful in his great office. He had no reason to believe that any change would come in the friendship between them, which had been peculiarly intimate. From the steamer on which he sailed for Africa, he sent a long telegram of cordial and hearty good wishes to his successor in Washington.

The next year Roosevelt came back to the United States, after a triumphal tour of the capitals of Europe, to find his party disrupted and the progressive movement in danger of shipwreck. He

had no intention of entering politics again. But he had no intention, either, of ceasing to champion the things in which he believed. This he made obvious, in his first speech after his return, to the cheering thousands who welcomed him at the Battery. He said:

I have thoroughly enjoyed myself; and now I am more glad than I can say to get home, to be back in my own country, back among people I love. And I am ready and eager to do my part so far as I am able, in helping solve problems which must be solved, if we of this, the greatest democratic republic upon which the sun has ever shone, are to see its destinies rise to the high level of our hopes and its opportunities. This is the duty of every citizen, but is peculiarly my duty; for any man who has ever been honored by being made President of the United States is thereby forever rendered the debtor of the American people and is bound throughout his life to remember this, his prime obligation.

The welcome over, Roosevelt tried to take up the life of a private citizen. He had become Contributing Editor of *The Outlook* and had planned to give his energies largely to writing. But he was not to be let alone. The people who loved him demanded that they be permitted to see and to hear him. Those who were in the thick of the political fight on behalf of progress and righteousness called

loudly to him for aid. Only a few days after Roosevelt had landed from Europe, Governor Hughes of New York met him at the Commencement exercises at Harvard and urged him to help in the fight which the Governor was then making for a direct primary law. Roosevelt did not wish to enter the lists again until he had had more time for orientation; but he always found it difficult to refuse a plea for help on behalf of a good cause. He therefore sent a vigorous telegram to the Republican legislators at Albany urging them to support Governor Hughes and to vote for the primary bill. But the appeal went in vain: the Legislature was too thoroughly boss-ridden. This telegram, however, sounded a warning to the usurpers in the house of the Republican Penelope that the fingers of the returned Odysseus had not lost their prowess with the heroic bow.

During the summer of 1910, Roosevelt made a trip to the West and in a speech at Ossawattomie, Kansas, set forth what came to be described as the New Nationalism. It was his draft of a platform, not for himself, but for the nation. A few fragments from that speech will suggest what Roosevelt was thinking about in those days when the Progressive party was stirring in the womb.

At many stages in the advance of humanity, this conflict between the men who possess more than they have earned and the men who have earned more than they possess is the central condition of progress. In our day it appears as the struggle of free men to gain and hold the right of self-government as against the special interests, who twist the methods of free government into machinery for defeating the popular will. At every stage, and under all circumstances, the essence of the struggle is to equalize opportunity, destroy privilege, and give to the life and citizenship of every individual the highest possible value both to himself and to the commonwealth.

Every special interest is entitled to justice, but not one is entitled to a vote in Congress, to a voice on the bench, or to representation in any public office. The Constitution guarantees protection to property, and we must make that promise good. But it does not give the right of suffrage to any corporation.

The absence of effective state and, especially, national restraint upon unfair money getting has tended to create a small class of enormously wealthy and economically powerful men, whose chief object is to hold and increase their power. The prime need is to change the conditions which enable these men to accumulate power which it is not for the general welfare that they should hold or exercise.

We are face to face with new conceptions of the relations of property to human welfare, chiefly because certain advocates of the rights of property as

against the rights of men have been pushing their claims too far.

The State must be made efficient for the work which concerns only the people of the State; and the nation for that which concerns all the people. There must remain no neutral ground to serve as a refuge for lawbreakers, and especially for lawbreakers of great wealth, who can hire the vulpine legal cunning which will teach them how to avoid both jurisdictions.

I do not ask for overcentralization; but I do ask that we work in a spirit of broad and far-reaching nationalism when we work for what concerns our people as a whole.

We must have the right kind of character — character that makes a man, first of all, a good man in the home, a good father, a good husband — that makes a man a good neighbor. . . . The prime problem of our nation is to get the right kind of good citizenship, and to get it, we must have progress, and our public men must be genuinely progressive.

I stand for the Square Deal. But when I say that I am for the square deal I mean not merely that I stand for fair play under the present rules of the game, but that I stand for having those rules changed so as to work for a more substantial equality of opportunity and of reward for equally good service.

These generalizations Roosevelt accompanied by specific recommendations. They included proposals

for publicity of corporate affairs; prohibition of the use of corporate funds for political purposes; governmental supervision of the capitalization of all corporations doing an interstate business; control and supervision of corporations and combinations controlling necessaries of life; holding the officers and directors of corporations personally liable when any corporation breaks the law; an expert tariff commission and revision of the tariff schedule by schedule; a graduated income tax and a graduated inheritance tax, increasing rapidly in amount with the size of the estate; conservation of natural resources and their use for the benefit of all rather than their monopolization for the benefit of the few; public accounting for all campaign funds before election; comprehensive workmen's compensation acts, state and national laws to regulate child labor and work for women, the enforcement of sanitary conditions for workers and the compulsory use of safety appliances in industry.

There was nothing in all these proposals that should have seemed revolutionary or extreme. But there was much that disturbed the reactionaries who were thinking primarily in terms of property and only belatedly or not at all of human rights. The Bourbons in the Republican party and their

supporters among the special interests "viewed with alarm" this frank attack upon their intrenched privileges. The Progressives, however, welcomed with eagerness this robust leadership. The breach in the Republican party was widening with steadily accelerating speed.

In the fall of 1910 a new demand arose that Roosevelt should enter actively into politics. Though it came from his own State, he resisted it with energy and determination. Nevertheless the pressure from his close political associates in New York finally became too much for him, and he yielded. They wanted him to go as a delegate to the Republican State Convention at Saratoga and to be a candidate for Temporary Chairman of the Convention — the officer whose opening speech is traditionally presumed to sound the keynote of the campaign. Roosevelt went and, after a bitter fight with the reactionists in the party, led by William Barnes of Albany, was elected Temporary Chairman over Vice-President James S. Sherman. The keynote was sounded in no uncertain tones, while Mr. Barnes and his associates fidgeted and suffered.

Then came a Homeric conflict, with a dramatic climax. The reactionary gang did not know that

it was beaten. Its members resisted stridently an attempt to write a direet primary plank into the party platform. They wished to rebuke Governor Hughes, who was as little to their liking as Roosevelt himself, and they did not want the direet primary. After speeches by young James Wadsworth, later United States Senator, Job Hedges, and Barnes himself, in whieh they bewailed the impending demise of representative government and the eoming of mob rule, it was elear that the primary plank was defeated. Then rose Roosevelt. In a speeeh that lashed and flayed the forees of reaetion and obseurantism, he demanded that the party stand by the right of the people to rule. Single-handed he drove a majority of the delegates into line. The plank was adopted. Theneeforward the eonvention was his. It seleeted, as eandidate for Governor, Henry L. Stimson, who had been a Federal attorney in New York under Roosevelt and Seeretary of War in Taft's Cabinet. When this vietory had been won, Roosevelt threw himself into the campaign with his usual abandon and toured the State, making fighting speeehes in seores of cities and towns. But in spite of Roosevelt's best efforts, Stimson was defeated.

All this aetive partieipation in loeal politieal

conflicts seriously distressed many of Roosevelt's friends and associates. They felt that he was too big to fritter himself away on small matters from which he — and the cause whose great champion he was — had so little to gain and so much to lose. They wanted him to wait patiently for the moment of destiny which they felt sure would come. But it was never easy for Roosevelt to wait. It was the hardest thing in the world for him to decline an invitation to enter a fight — when the cause was a righteous one.

So the year 1911 passed by, with the Taft Administration steadily losing prestige, and the revolt of the Progressives within the Republican party continually gathering momentum. Then came 1912, the year of the Glorious Failure.

CHAPTER XIII

THE PROGRESSIVE PARTY

THE Progressive party and the Progressive movement were two things. The one was born on a day, lived a stirring, strenuous span of life, suffered its fatal wound, lingered on for a few more years, and received its *coup de grâce*. The other sprang like a great river system from a multitude of sources, flowed onward by a hundred channels, always converging and uniting, until a single mighty stream emerged to water and enrich and serve a broad country and a great people. The one was ephemeral, abortive — a failure. The other was permanent, creative — a triumph. The two were inseparable, each indispensable to the other. Just as the party would never have existed if there had been no movement, so the movement would not have attained such a surpassing measure of achievement so swiftly without the party.

The Progressive party came into full being at the

convention held in Chicago on August 5, 1912, under dramatic circumstances. Every drama must have a beginning and this one had opened for the public when, on the 10th of February in the same year, the Republican Governors of West Virginia, Nebraska, New Hampshire, Wyoming, Michigan, Kansas, and Missouri addressed a letter to Roosevelt, in which they declared that, in considering what would best insure the continuation of the Republican party as a useful agency of good government, they had reached the conclusion that a large majority of the Republican voters of the country favored Roosevelt's nomination, and a large majority of the people favored his election as the next President. They asserted their belief that, in view of this public demand, he should soon declare whether, if the nomination came to him unsolicited and unsought, he would accept it. They concluded their request with this paragraph:

In submitting this request we are not considering your personal interests. We do not regard it as proper to consider either the interest or the preference of any man as regards the nomination for the Presidency. We are expressing our sincere belief and best judgment as to what is demanded of you in the interests of the people as a whole. And we feel that you would be unresponsive to a plain public duty if you should decline

to accept the nomination, coming as the voluntary expression of the wishes of a majority of the Republican voters of the United States, through the action of their delegates in the next National Convention.

The sincerity and whole-heartedness of the convictions here expressed are in no wise vitiated by the fact that the letter was not written until the seven Governors were assured what the answer to it would be. For the very beginning of our drama, then, we must go back a little farther to that day in late January of 1912 when Theodore Roosevelt himself came face to face with a momentous decision. On that day he definitely determined that his duty to the things in which he profoundly believed — and no less to the friends and associates who shared his beliefs — constrained him once more to enter the arena of political conflict and lead the fight.

Roosevelt had come to this conclusion with extreme reluctance. He had no illusions as to the probable effect upon his personal fortunes. Twice he had been President — once by the hand of fate, once by a great popular vote. To be President again could add nothing to his prestige or fame; it could only subject him for four years to the dangerous vagaries of the unstable popular mood. He

had nothing to gain for himself by entering the ring of political conflict again; the chances for personal loss were great. His enemies, his critics, and his political adversaries would have it that he was eaten up with ambition, that he came back from his African and European trip eager to thrust himself again into the limelight of national political life and to demand for himself again a great political prize. But his friends, his associates, and those who, knowing him at close range, understood him, realized that this was no picture of the truth. He accepted what hundreds of Progressive leaders and followers throughout the country — for the man in the ranks had as ready access to him as the most prominent leader, and received as warm consideration — asserted was his clear duty and obligation.

A letter which he had written two days before Christmas, 1911, shows unmistakably how his mind was working in those days of prologue to the great decision. The letter was entirely private, and was addressed to my father who was a publisher and a friend and not a politician. There is, therefore, no reason whatever why the letter should not be accepted as an accurate picture of Mr. Roosevelt's mind at that time.

Now for the message Harold gave me, that I should write you a little concerning political conditions. They are very, very mixed. Curiously enough, my article on the trusts was generally accepted as bringing me forward for the Presidential nomination. Evidently what really happened was that there had been a strong undercurrent of feeling about me, and that the talk concerning the article enabled this feeling to come to the surface. I do not think it amounts to anything. It merely means that a great many people do not get the leadership they are looking for from any of the prominent men in public life, and that under the circumstances they grasp at any one; and as my article on the McNamaras possessed at least the merit of being entirely clearcut and of showing that I knew my own mind and had definite views, a good many plain people turned longingly to me as a leader. Taft is very weak, but La Follette has not developed real strength east of the Mississippi River, excepting of course in Wisconsin. West of the River he has a large following, although there is a good deal of opposition to him even in States like Kansas, Washington, and California. East of the Mississippi, I believe he can only pick up a few delegates here and there. Taft will have most of the Southern delegates, he will have the officeholders, and also the tepid and acquiescent, rather than active, support of the ordinary people who do not feel very strongly one way or the other, and who think it is the usual thing to renominate a President. If there were a strong candidate against him, he would I believe be beaten, but there are plenty of men, many of the leaders not only here but in Texas, for instance, in Ohio, in New Hampshire and Illinois, who are against

him, but who are even more against La Follette, and who regard themselves as limited to the alternative between the two. There is, of course, always the danger that there may be a movement for me, the danger coming partly because the men who may be candidates are very anxious that the ticket shall be strengthened and care nothing for the fate of the man who strengthens it, and partly because there is a good deal of honest feeling for me among plain simple people who wish leadership, but who will not accept leadership unless they believe it to be sincere, fearless, and intelligent. I most emphatically do not wish the nomination. Personally I should regard it as a calamity to be nominated. In the first place, I might very possibly be beaten, and in the next place, even if elected I should be confronted with almost impossible conditions out of which to make good results. In the tariff, for instance, I would have to face the fact that men would keep comparing what I did, not with what the Democrats would or could have done but with an ideal, or rather with a multitude of entirely separate and really incompatible ideals. I am not a candidate, I will never be a candidate; but I have to tell the La Follette men and the Taft men that while I am absolutely sincere in saying that I am not a candidate and do not wish the nomination, yet that I do not feel it would be right or proper for me to say that under no circumstances would I accept it if it came; because, while wildly improbable, it is yet possible that there might be a public demand which would present the matter to me in the light of a duty which I could not shirk. In other words, while I emphatically do not want office, and have not the slightest idea that any

demand for me will come, yet if there were a real public demand that in the public interest I should do a given job, it *might* be that I would not feel like flinching from the task. However, this is all in the air, and I do not for one moment believe that it will be necessary for me even to consider the matter. As for the Democrats, they have their troubles too. Wilson, although still the strongest man the Democrats could nominate, is much weaker than he was. He has given a good many people a feeling that he is very ambitious and not entirely sincere, and his demand for the Carnegie pension created an unpleasant impression. Harmon is a good old solid Democrat, with the standards of political and commercial morality of twenty years ago, who would be eagerly welcomed by all the conservative crowd. Champ Clark is a good fellow, but impossible as President.

I think a good deal will depend upon what this Congress does. Taft may redeem himself. He was fairly strong at the end of the last session, but went off lamentably on account of his wavering and shilly-shallying on so many matters during his speaking trip. His speeches generally hurt him, and rarely benefit him. But it is possible that the Democrats in Congress may play the fool, and give him the chance to appear as the strong leader, the man who must be accepted to oppose them.

This was what Roosevelt at the end of December sincerely believed would be the situation as time went on. But he underestimated the strength and the volume of the tide that was rising.

The crucial decision was made on the 18th of January. I was in the closest possible touch with Roosevelt in those pregnant days, and I know, as well as any but the man himself could know, how his mind was working. An entry in my diary on that date shows the origin of the letter of the seven governors:

Senator Beveridge called on T. R. to urge him to make a public statement soon. T. R. impressed by his arguments and by letters just received from three Governors, Hadley, Glasscock, and Bass. Practically determined to ask these Governors, and Stubbs and Osborne, to send him a joint letter asking him to make a public statement to the effect that if there is a genuine popular demand for his nomination he will not refuse — in other words to say to him in a joint letter for publication just what they have each said to him in private letters. Such joint action would give him a proper reason — or occasion — for making a public declaration. T. R. telegraphed Frank Knox, Republican State Chairman of Michigan and former member of his regiment, to come down, with intention of asking him to see the various governors. H. H., at Ernest Abbott's suggestion, asked him not to make final decision till he has had conference — already arranged — with editorial staff. T. R. agrees, but the inevitableness of the matter is evident.

After that day, things moved rapidly. Two days later the diary contains this record:

Everett Colby, William Fellowes Morgan, and Mark Sullivan call on T. R. All inclined to agree that time for statement is practically here. T. R. — "The time to use a man is when the people want to use him." M. S. — "The time to set a hen is when the hen wants to set." Frank Knox comes in response to telegram. Nat Wright also present at interview where Knox is informed of the job proposed for him. Gifford Pinchot also present at beginning of interview while T. R. tells how he views the situation, but leaves (at T. R.'s suggestion) before real business of conference begins. Plan outlined to Knox, who likes it, and subsequently, in H. H.'s office, draws up letter for Governors. Draft shown to T. R., who suggests a couple of added sentences emphasizing that the nomination must come as a real popular demand, and declaring that the Governors are taking their action not for his sake, but for the sake of the country. Knox takes copy of letter and starts for home, to go out to see Governors as soon as possible.

On the 22d of January the Conference with *The Outlook* editorial staff took place and is thus described in my diary:

T. R. had long conference with entire staff. All except R. D. T. [Mr. Townsend, Managing Editor of *The Outlook*] and H. H. inclined to deprecate a public statement now. T. R. — "I have had all the honor the American public can give me. If I should be elected I would go back not so young as I once was, with all the first fine flavor gone, and take up the horrible task of

going in and out, in and out, of the same hole over and over again. But I cannot decline the call. Too many of those who have fought with me the good fight for the things we believe in together, declare that at this critical moment I am the instrument that ought to be used to make it possible for me to refuse. *I believe I shall be broken in the using.* But I cannot refuse to permit myself to be used. I am not going to get those good fellows out on the end of a limb and then saw off the limb." R. D. T. suggested that it be said frankly that the Governors wrote the joint letter at T. R.'s request. T. R. accepted like a shot. Went into H. H.'s room, dictated two or three sentences to that effect, which H. H. later incorporated in letter. [This plan was later given up, I believe on the urging of some or all of the Governors involved.] T. R. — "I can't go on telling my friends in private letters what my position is, but asking them not to make it public, without seeming furtive." In afternoon H. H. suggests that T. R. write first draft of his letter of reply soon as possible to give all possible time for consideration and revision. T. R. has two inspirations — to propose presidential primaries in order to be sure of popular demand, and to use statement made at Battery when he returned home from Europe.

The next day's entry reads as follows:

Sent revised letter to Knox. T. R. said, "Not to make a public statement soon would be to violate my cardinal principle — never hit if you can help it, but when you have to, hit hard. *Never* hit soft. You'll

never get any thanks for hitting soft." McHarg called with three men from St. Louis. T. R. said exactly the same thing as usual — he would never accept the nomination if it came as the result of an intrigue, *only* if it came as the result of a genuine and widespread popular demand. The thing he wants to be sure of is that there is this widespread popular demand that he "do a job," and that the demand is genuine.

Meanwhile Frank Knox was consulting the seven Governors, each one of whom was delighted to have an opportunity to say to Roosevelt in this formal, public way just what they had each said to him privately and forcefully. The letter was signed and delivered to T. R. On the 24th of February Roosevelt replied to the letter of the seven Governors in unequivocal terms, "I will accept the nomination for President if it is tendered to me, and I will adhere to this decision until the convention has expressed its preference." He added the hope that so far as possible the people might be given the chance, through direct primaries, to record their wish as to who should be the nominee. A month later, in a great address at Carnegie Hall in New York, he gave voice publicly to the same thought that he had expressed to his friends in that editorial conference: "The leader for the time being,

whoever he may be, is but an instrument, to be used until broken and then cast aside; and if he is worth his salt he will care no more when he is broken than a soldier cares when he is sent where his life is forfeit that the victory may be won. In the long fight for righteousness the watchword for all is, 'Spend and be spent.' It is of little matter whether any one man fails or succeeds; but the cause shall not fail, for it is the cause of mankind."

The decision once made, Roosevelt threw himself into the contest for delegates to the nominating convention with his unparalleled vigor and forcefulness. His main opponent was, of course, the man who had been his friend and associate and whom he had done more than any other single force to make President as his successor. William Howard Taft had the undivided support of the national party organization; but the Progressive Republicans the country over thronged to Roosevelt's support with wild enthusiasm. The campaign for the nomination quickly developed two aspects, one of which delighted every Progressive in the Republican party, the other of which grieved every one of Roosevelt's level-headed friends. It became a clean-cut conflict between progress and

reaction, between the interests of the people, both as rulers and as governed, and the special interests, political and business. But it also became a bitter conflict of personalities between the erstwhile friends. The breach between the two men was afterwards healed, but it was several years after the reek of the battle had drifted away before even formal relations were restored between them.

A complicating factor in the campaign was the candidacy of Senator La Follette of Wisconsin. In July, 1911, La Follette had begun, at the earnest solicitation of many Progressive leaders in Congress and out, an active campaign for the Republican nomination. Progressive organizations were perfected in numerous States and "in less than three months," as La Follette has written in his *Autobiography*, his candidacy "had taken on proportions which compelled recognition." Four months later a conference of some three hundred Progressives from thirty States, meeting in Chicago, declared that La Follette was, because of his record, the logical candidate for the Presidency. Following this conference he continued to campaign with increasing vigor, but concurrently the enthusiasm of some of his leading supporters began to cool and their support of his candidacy to

weaken. Senator La Follette ascribes this effect to the surreptitious maneuvering of Roosevelt, whom he credits with an overwhelming appetite for another Presidential term, kept in check only by his fear that he could not be nominated or elected. But there is no evidence of any value whatever that Roosevelt was conducting underground operations or that he desired to be President again. The true explanation of the change in those Progressives who had favored the candidacy of La Follette and yet had gradually ceased to support him, is to be found in their growing conviction that Taft and the reactionary forces in the Republican party which he represented could be defeated only by one man — and that not the Senator from Wisconsin. In any event the La Follette candidacy rapidly declined until it ceased to be a serious element in the situation. Although the Senator, with characteristic consistency and pertinacity, stayed in the fight till the end, he entered the Convention with the delegates of but two States, his own Wisconsin and North Dakota, pledged to support him.

The pre-convention campaign was made unusually dramatic by the fact that, for the first time in the history of Presidential elections, the voters

of thirteen States were privileged not only to select the delegates to the Convention by direct primary vote but to instruct them in the same way as to the candidate for whom they should cast their ballots. There were 388 such popularly instructed delegates from California, Georgia, Illinois, Maryland, Massachusetts, Nebraska, New Jersey, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, and Wisconsin. It was naturally in these States that the two candidates concentrated their campaigning efforts. The result of the selection of delegates and of the preferential vote in these States was the best possible evidence of the desire of the rank and file of the party as to the Presidential candidate. Of these 388 delegates, Senator La Follette secured 36; President Taft 71 — 28 in Georgia, 2 in Illinois, 18 in Massachusetts, 14 in Ohio, and 9 in Pennsylvania; and Roosevelt 281 — 26 in California, 56 in Illinois, 16 in Maryland, 18 in Massachusetts, 16 in Nebraska, 28 in New Jersey, 34 in Ohio, 10 in Oregon, 67 in Pennsylvania, and 10 in South Dakota. Roosevelt therefore, in those States where the voters could actually declare at primary elections which candidate they preferred, was the expressed choice of more than five times as many voters as Taft.

When the Republican convention met in Chicago an interesting and peculiar situation presented itself. There were 1078 seats in the Convention. Of the delegates elected to those seats Taft had committed to him the vast majority of the delegates from the States which have never cast an electoral vote for a Republican candidate for President since there was a Republican party. Roosevelt had in support of him the great majority of the delegates from the States which are normally Republican and which must be relied upon at election time if a Republican President is to be chosen. Of the 1078 seats more than 200 were contested. Aside from these contested seats, neither candidate had a majority of the delegates. The problem that confronted each side was to secure the filling of a sufficient number of the disputed seats with its retainers to insure a majority for its candidate. In the solution of this problem the Taft forces had one insuperable advantage. The temporary roll of a nominating convention is made up by the National Committee of the party. The Republican National Committee had been selected at the close of the last national convention four years before. It accordingly represented the party as it had then stood, regardless of the significant changes that

three and a quarter years of Taft's Presidency had wrought in party opinion.

In the National Committee the Taft forces had a strength of more than two to one; and all but an insignificant number of the contests were decided out of hand in favor of Mr. Taft. The temporary roll of the Convention therefore showed a distinct majority against Roosevelt. From the fall of the gavel, the Roosevelt forces fought with vigor and determination for what they described as the "purging of the roll" of those Taft delegates whose names they declared had been placed upon it by fraud. But at every turn the force of numbers was against them; and the Taft majority which the National Committee had constituted in the Convention remained intact, an impregnable defense against the Progressive attack.

These preliminary engagements concerned with the determination of the final membership of the Convention had occupied several days. Meanwhile the temper of the Roosevelt delegates had burned hotter and hotter. Roosevelt was present, leading the fight in person — not, of course, on the floor of the Convention, to which he was not a delegate, but at headquarters in the Congress Hotel. There were not wanting in the Progressive forces

counsels of moderation and compromise. It was suggested by those of less fiery mettle that harmony might be arrived at on the basis of the elimination of both Roosevelt and Taft and the selection of a candidate not unsatisfactory to either side. But Roosevelt, backed by the majority of the Progressive delegates, stood firm and immovable on the ground that the "roll must be purged" and that he would consent to no traffic with a Convention whose make-up contained delegates holding their seats by virtue of fraud. "Let them purge the roll," he declared again and again, "and I will accept any candidate the Convention may name." But the organization leaders knew that a yielding to this demand for a reconstitution of the personnel of the Convention would result in but one thing — the nomination for Roosevelt — and this was the one thing they were resolved not to permit.

As the hours of conflict and turmoil passed, there grew steadily and surely in the Roosevelt ranks a demand for a severance of relations with the fraudulent Convention and the formation of a new party devoted, without equivocation or compromise, to Progressive principles. A typical incident of these days of confusion and uncertainty was the drawing up of a declaration of purpose by a

Progressive alternate from New Jersey, disgusted with the progress of the machine steam roller and disappointed at the delayed appearance of a positive Progressive programme of action. Circulated privately, with the knowledge and approval of Roosevelt, it was promptly signed by dozens of Progressive delegates. It read as follows:

"We, the undersigned, in the event that the Republican National Convention as at present constituted refuses to purge its roll of the delegates fraudulently placed upon it by the action of the majority of the Republican National Committee, pledge ourselves, as American citizens devoted to the progressive principles of genuine popular rule and social justice, to join in the organization of a new party founded upon those principles, under the leadership of Theodore Roosevelt."

The first signer of the declaration was Governor Hiram W. Johnson of California, the second, Governor Robert S. Vessey of South Dakota, the third, Governor Joseph M. Carey of Wyoming, and farther down the list were the names of Gifford and Amos Pinchot, James R. Garfield, ex-Governor John Franklin Fort of New Jersey, with Everett Colby and George L. Record of the same State, Matthew Hale of Massachusetts, "Jack" Greenway

of Arizona, Judge Ben B. Lindsey of Colorado, Medill McCormick of Illinois, George Rublée of New Hampshire, and Elon Huntington Hooker, of New York, who was to become the National Treasurer of the new party. The document was, of course, a purely informal assertion of purpose; but it was the first substantial straw to predict the whirlwind which the masters of the convention were to reap.

When at last it had become unmistakably clear that the Taft forces were and would remain to the end in control of the Convention, the Progressive delegates, with a few exceptions, united in dramatic action. Speaking for them with passion and intensity Henry J. Allen of Kansas announced their intention to participate no longer in the actions of a convention vitiated by fraud. The Progressive delegates would, he declared, remain in their places but they would neither vote nor take any part whatever in the proccedings. He then read, by permission of the Convention, a statement from Roosevelt, in which he pronounced the following indictment:

The Convention has now declined to purge the roll of the fraudulent delegates placed thereon by the defunct National Committee, and the majority which

has thus indorsed the fraud was made a majority only because it included the fraudulent delegates themselves who all sat as judges on one another's cases. . . . The Convention as now composed has no claim to represent the voters of the Republican party. . . . Any man nominated by the Convention as now constituted would merely be the beneficiary of this successful fraud; it would be deeply discreditable for any man to accept the Convention's nomination under these circumstances; and any man thus accepting it would have no claim to the support of any Republican on party grounds and would have forfeited the right to ask the support of any honest man of any party on moral grounds.

So while most of the Roosevelt delegates sat in ominous quiet and refused to vote, the Convention proceeded to nominate Taft for President by the following vote: Taft 561 — 21 votes more than a majority; Roosevelt 107; La Follette 41; Cummins 17; Hughes 2; absent 6; present and not voting 344.

Then the Taft delegates went home to meditate on the fight which they had won and the more portentous fight which they must wage in the coming months on a broader field. The Roosevelt delegates, on the other hand, went out to Orchestra Hall, and in an exalted mood of passionate devotion to their cause and their beloved leader proceeded to nominate Theodore Roosevelt for the

Presidency and Hiram Johnson for the Vice-Presidency. A committee was sent to notify Roosevelt of the nomination and when he appeared in the hall all precedents of spontaneous enthusiasm were broken. This was no conventional — if the *double entendre* may be permitted — demonstration. It had rather the quality of religious exaltation.

Roosevelt made a short speech, in which he adjured his hearers to go to their several homes "to find out the sentiment of the people at home and then again come together, I suggest by mass convention, to nominate for the Presidency a Progressive on a Progressive platform that will enable us to appeal to Northerner and Southerner, Easterner and Westerner, Republican and Democrat alike, in the name of our common American citizenship. If you wish me to make the fight I will make it, even if only one State should support me."

Thus ended the first act in the drama. The second opened with the gathering of some two thousand men and women at Chicago on August 5, 1912. It was a unique gathering. Many of the delegates were women; one of the "keynote" speeches was delivered by Miss Jane Addams of Hull House. The whole tone and atmosphere of the occasion seemed religious rather than political.

The old-timers among the delegates, who found themselves in the new party for diverse reasons, selfish, sincere, or mixed, must have felt astonishment at themselves as they stood and shouted out *Onward Christian Soldiers* as the battle-hymn of their new allegiance. The long address which Roosevelt made to the Convention he denominated his "Confession of Faith." The platform which the gathering adopted was entitled "A Contract with the People." The sessions of the Convention seethed with enthusiasm and burned hot with earnest devotion to high purpose. There could be no doubt in the mind of any but the most cynical of political reactionaries that here was the manifestation of a new and revivifying force to be reckoned with in the future development of American political life.

The platform adopted by the Progressive Convention was no less a novelty. Its very title — even the fact that it had a title marked it off from the pompous and shopworn documents emanating from the usual nominating Convention — declared a reversal of the time-honored view of a platform as, like that of a street-car, "something to get in on, not something to stand on." The delegates to that Convention were perfectly ready to have

their party sued before the bar of public opinion for breach of contract if their candidates when elected did not do everything in their power to carry out the pledges of the platform. The planks of the platform grouped themselves into three main sections: political reforms, control of trusts and combinations, and measures of "social and industrial justice."

In the first section were included direct primaries, nation-wide preferential primaries for the selection of candidates for the Presidency, direct popular election of United States Senators, the short ballot, the initiative, referendum and recall, an easier method of amending the Federal constitution, woman suffrage, and the recall of judicial decisions in the form of a popular review of any decision annulling a law passed under the police power of the State.

The platform in the second place opposed vigorously the indiscriminate dissolution of trusts and combinations, on the ground that combination in the business field was not only inevitable but necessary and desirable for the promotion of national and international efficiency. It condemned the evils of inflated capitalization and unfair competition; and it proposed, in order to eliminate those

evils while preserving the unquestioned advantages that flow from combination, the establishment of a strong Federal commission empowered and directed to maintain permanent active supervision over industrial corporations engaged in interstate commerce, doing for them what the Federal Government now does for the national banks and, through the Interstate Commerce Commission, for the transportation lines.

Finally in the field of social justice the platform pledged the party to the abolition of child labor, to minimum wage laws, the eight-hour day, publicity in regard to working conditions, compensation for industrial accidents, continuation schools for industrial education, and to legislation to prevent industrial accidents, occupational diseases, overwork, involuntary unemployment, and other injurious effects incident to modern industry.

To stand upon this platform and to carry out the terms of this "contract with the people," the Convention nominated without debate or dissent Theodore Roosevelt for President and Hiram W. Johnson of California for Vice-President. Governor Johnson was an appropriate running mate for Roosevelt. In his own State he had led one of the most virile and fast moving of the local Progressive

movements. He burned with a white-hot enthusiasm for the democratic ideal and the rights of man as embodied in equality of opportunity, freedom of individual development, and protection from the "dark forces" of special privilege, political autocracy and concentrated wealth. He was a brilliant and fiery campaigner where his convictions were enlisted.

So passed the second act in the drama of the Progressive party.

CHAPTER XIV

THE GLORIOUS FAILURE

The third act in the drama of the Progressive party was filled with the campaign for the Presidency. It was a three-cornered fight. Taft stood for Republican conservatism and clung to the old things. Roosevelt fought for the progressive rewriting of Republican principles with added emphasis on popular government and social justice as defined in the New Nationalism. The Democratic party under the leadership of Woodrow Wilson espoused with more or less enthusiasm the old Democratic principles freshly interpreted and revivified in the declaration they called the New Freedom. The campaign marked the definite entrance of the nation upon a new era. One thing was clear from the beginning: the day of conservatism and reaction was over; the people of the United States had definitely crossed their Rubicon and had committed themselves to spiritual and moral progress.

The campaign had one dramatic incident. On the 14th of October, just before entering the Auditorium at Milwaukee, Roosevelt was shot by a fanatic. His immediate action was above everything characteristic. Some time later in reply to a remark that he had been foolhardy in going on with his speech just after the attack, Roosevelt said, "Why, you know, I didn't think I had been mortally wounded. If I had been mortally wounded, I would have bled from the lungs. When I got into the motor I coughed hard three times, and put my hand up to my mouth; as I did not find any blood, I thought that I was not seriously hurt, and went on with my speech."

The opening words of the speech which followed were equally typical:

> Friends, I shall ask you to be as quiet as possible. I don't know whether you fully understand that I have just been shot; but it takes more than that to kill a Bull Moose. . . . The bullet is in me now, so that I cannot make a very long speech, but I will try my best. . . . First of all, I want to say this about myself; I have altogether too important things to think of to feel any concern over my own death; and now I cannot speak insincerely to you within five minutes of being shot. I am telling you the literal truth when I say that my concern is for many other things. It is not in the least for my own life. I want you to understand

that I am ahead of the game anyway. No man has had a happier life than I have led; a happier life in every way. I have been able to do certain things that I greatly wished to do, and I am interested in doing other things. I can tell you with absolute truthfulness that I am very much uninterested in whether I am shot or not. It was just as when I was colonel of my regiment. I always felt that a private was to be excused for feeling at times some pangs of anxiety about his personal safety, but I cannot understand a man fit to be a colonel who can pay any heed to his personal safety when he is occupied as he ought to be occupied with the absorbing desire to do his duty.

There was a great deal of self-revelation in these words. Even the critic accustomed to ascribe to Roosevelt egotism and love of gallery applause must concede the courage, will-power, and self-forgetfulness disclosed by the incident.

The election was a *débâcle* for reaction, a victory for Democracy, a triumph in defeat for the Progressive party. Taft carried two States, Utah and Vermont, with eight electoral votes; Woodrow Wilson carried forty States, with 435 electoral votes; and Roosevelt carried five States, Michigan, Minnesota, Pennsylvania, South Dakota, and Washington, and eleven out of the thirteen votes of California, giving him 88 electoral votes. Taft's popular vote was 3,484,956; Wilson's was 6,293,019;

while Roosevelt's was 4,119,507. The fact that Wilson was elected by a minority popular vote is not the significant thing, for it is far beyond the capability of any political observer to declare what would have been the result if there had been but two parties in the field. The triumph for the Progressive party lay in the certainty that its emergence had compelled the election of a President whose face was toward the future. If the Roosevelt delegates at Chicago in June had acquiesced in the result of the steam-roller Convention, it is highly probable that Woodrow Wilson would not have been the choice of the Democratic Convention that met later at Baltimore.

During the succeeding four years the Progressive party, as a national organization, continued steadily to "dwindle, peak, and pine." More and more of its members and supporters slipped or stepped boldly back to the Republican party. Its quondam Democratic members had largely returned to their former allegiance with Wilson, either at the election or after it. Roosevelt once more withdrew from active participation in public life, until the Great War, with its gradually increasing intrusions upon American interests and American rights, aroused him to vigorous and aggressive utterance

on American responsibility and American duty. He became a vigorous critic of the Administration.

Once more a demand began to spring up for his nomination for the Presidency; the Progressive party began to show signs of reviving consciousness. There had persisted through the years a little band of irreconcilables who were Progressives or nothing. They wanted a new party of radical ideas regardless of anything in the way of reformation and progress that the old parties might achieve. There were others who preferred to go back to the Republican party rather than to keep up the Progressive party as a mere minority party of protest, but who hoped in going back to be able to influence their old party along the lines of progress. There were those who were Rooseveltians pure and simple and who would follow him wherever he led.

All these groups wanted Roosevelt as President. They united to hold a convention of the Progressive party at Chicago in 1916 on the same days on which the Republican Convention met there. Each convention opened with a calculating eye upon the activities of the other. But both watched with even more anxious surmise for some sign of intention from the Progressive leader back at Oyster Bay. He held in his single hand the power of

life and death for the Progressive party. His decision as to coöperative action with the Republicans or individual action as a Progressive would be the most important single factor in the campaign against Woodrow Wilson, who was certain of renomination. Three questions confronted and puzzled the two bodies of delegates: Would the Republicans nominate Roosevelt or another? If another, what would Roosevelt do? If another, what would the Progressives do?

For three days the Republican National Convention proceeded steadily and stolidly upon its appointed course. Everything had been done in the stereotyped way on the stereotyped time-table in the stereotyped language. No impropriety or infelicity had been permitted to mar the smooth texture of its surface. The temporary chairman in his keynote speech had been as mildly oratorical, as diffusely patriotic, and as nobly sentimental as any Fourth of July orator of a bygone day. The whole tone of the Convention had been subdued and decorous — with the decorum of incertitude and timidity. That Convention did not know what it wanted. It only knew that there was one thing that it did not want and that it was afraid of, and another thing it would rather not have and was

afraid it would have to take. It wanted neither Theodore Roosevelt nor Charles E. Hughes, and its members were distinctly uncomfortable at the thought that they might have to take one or the other. It was an old-fashioned convention of the hand-picked variety. It smacked of the former days when the direct primary had not yet introduced the disturbing thought that the voters and not the office-holders and party leaders ought to select their candidates.

It was a docile, submissive convention, not because it was ruled by a strong group of men who knew what they wanted and proposed to compel their followers to give it to them, but because it was composed of politicians great and small to whom party regularity was the breath of their nostrils. They were ready to do the regular thing; but the only two things in sight were confoundedly irregular.

Two drafts were ready for their drinking and they dreaded both. They could nominate one of two men, and to nominate either of them was to fling open the gates of the citadel of party regularity and conformity and let the enemy in. Was it to be Roosevelt or Hughes? Roosevelt they would not have. Hughes they would give their

eye teeth not to take. No wonder they were subdued and inarticulate. No wonder they suffered and were unhappy. So they droned along through their stereotyped routine, hoping dully against fate.

The hot-heads in the Progressive Convention wanted no delay, no compromise. They would have nominated Theodore Roosevelt out of hand with a whoop, and let the Republican Convention take him or leave him. But the cooler leaders realized the importance of union between the two parties and knew, or accurately guessed, what the attitude of Roosevelt would be. With firm hand they kept the Convention from hasty and irrevocable action. They proposed that overtures be made to the Republican Convention with a view to harmonious agreement. A conference was held between committees of the two conventions to see if common ground could be discovered. At the first session of the joint committee it appeared that there was sincere desire on both sides to get together, but that the Progressives would have no one but Roosevelt, while the Republicans would not have him but were united on no one else. When the balloting began in the Republican Convention, the only candidate who received even a respectable block of votes was Hughes, but his total was hardly

more than half of the necessary majority. For several ballots there was no considerable gain for any of the numerous candidates, and when the Convention adjourned late Friday night the outcome was as uncertain as ever. But by Saturday morning the Republican leaders and delegates had resigned themselves to the inevitable, and the nomination of Hughes was assured. When the Progressive Convention met that morning, the conference committee reported that the Republican members of the committee had proposed unanimously the selection of Hughes as the candidate of both parties.

Thus began the final scene in the Progressive drama, and a more thrilling and intense occasion it would be difficult to imagine. It was apparent that the Progressive delegates would have none of it. They were there to nominate their own beloved leader and they intended to do it. A telegram was received from Oyster Bay proposing Senator Lodge as the compromise candidate, and the restive delegates in the Auditorium could with the greatest difficulty be held back until the telegram could be received and read at the Coliseum. A direct telephone wire from the Coliseum to a receiver on the stage of the Auditorium kept the Progressive body in instant touch with events in

the other Convention. In the Auditorium the atmosphere was electric. The delegates bubbled with excitement. They wanted to nominate Roosevelt and be done with it. The fear that the other Convention would steal a march on them and make its nomination first set them crazy with impatience. The hall rumbled and sputtered and fizzed and detonated. The floor looked like a giant corn popper with the kernels jumping and exploding like mad.

The delegates wanted action; the leaders wanted to be sure that they had kept faith with Roosevelt and with the general situation by giving the Republican delegates a chance to hear his last proposal. Bainbridge Colby, of New York, put Roosevelt in nomination with brevity and vigor; Hiram Johnson seconded the nomination with his accustomed fire. Then, as the word came over the wire that balloting had been resumed in the Coliseum, the question was put at thirty-one minutes past twelve, and every delegate and every alternate in the Convention leaped to his feet with upstretched arm and shouted "Aye."

Doubtless more thrilling moments may come to some men at some time, somewhere, but you will hardly find a delegate of that Progressive

Convention to believe it. Then the Convention adjourned, to meet again at three to hear what the man they had nominated would say.

At five o'clock in the afternoon, after a couple of hours of impatient and anxious marking time with routine matters, the Progressive delegates received the reply from their leader. It read thus:

> I am very grateful for the honor you confer upon me by nominating me as President. I cannot accept it at this time. I do not know the attitude of the candidate of the Republican party toward the vital questions of the day. Therefore, if you desire an immediate decision, I must decline the nomination.
>
> But if you prefer to wait, I suggest that my conditional refusal to run be placed in the hands of the Progressive National Committee. If Mr. Hughes's statements, when he makes them, shall satisfy the committee that it is for the interest of the country that he be elected, they can act accordingly and treat my refusal as definitely accepted.
>
> If they are not satisfied, they can so notify the Progressive party, and at the same time they can confer with me, and then determine on whatever action we may severally deem appropriate to meet the needs of the country.
>
> THEODORE ROOSEVELT.

Puzzled, disheartened, overwhelmed, the Progressive delegates went away. They could not

then see how wise, how farsighted, how inevitable Roosevelt's decision was. Some of them will never see it. Probably few of them as they went out of those doors realized that they had taken part in the last act of the romantic and tragic drama of the National Progressive party. But such was the fact, for the march of events was too much for it. Fate, not its enemies, brought it to an end.

So was born, lived a little space, and died the Progressive party. At its birth it caused the nomination, by the Democrats, and the election, by the people, of Woodrow Wilson. At its death it brought about the nomination of Charles E. Hughes by the Republicans. It forced the writing into the platforms of the more conservative parties of principles and programmes of popular rights and social regeneration. The Progressive party never attained to power, but it wielded a potent power. It was a glorious failure.

CHAPTER XV

THE FIGHTING EDGE

Theodore Roosevelt was a prodigious coiner of phrases. He added scores of them, full of virility, picturesqueness, and flavor to the every-day speech of the American people. They stuck, because they expressed ideas that needed expressing and because they expressed them so well that no other combinations of words could quite equal them. One of the best, though not the most popular, of his phrases is contained in the following quotation:

> One of the prime dangers of civilization has always been its tendency to cause the loss of virile fighting virtues, of the fighting edge. When men get too comfortable and lead too luxurious lives, there is always danger lest the softness eat like an acid into their manliness of fiber.

He used the same phrase many times. Here is another instance:

> Unjust war is to be abhorred; but woe to the nation that does not make ready to hold its own in time of

need against all who would harm it! And woe, thrice over, to the nation in which the average man loses the fighting edge, loses the power to serve as a soldier if the day of need should arise!

That was it — *the fighting edge.* Roosevelt had it, if ever man had. The conviction of the need for that combination of physical and spiritual qualities that this represented, if a man is to take his place and keep it in the world, became an inseparable part of his consciousness early in life. It grew in strength and depth with every year that he lived. He learned the need of preparedness on that day in Maine when he found himself helpless before the tormenting of his young fellow travelers. In the gymnasium on Twentieth Street, within the boxing ring at Harvard, in the New York Assembly, in the conflicts with the spoilsmen in Washington, on the frontier in cowboy land, in Mulberry Street and on Capitol Hill, and in the jungle before Santiago, the lesson was hammered into him by the stern reality of events. The strokes fell on malleable metal.

In the spring of 1897, Roosevelt had been appointed Assistant Secretary of the Navy, largely through the efforts of his friend, Senator Henry Cabot Lodge of Massachusetts. The appointment

was excellent from every point of view. Though Roosevelt had received no training for the post so far as technical education was concerned, he brought to his duties a profound belief in the navy and a keen interest in its development. His first published book had been *The Naval War of 1812;* and the lessons of that war had not been lost upon him. It was indeed a fortuitous circumstance that placed him in this branch of the national service just as relations between Spain and the United States were reaching the breaking point. When the battleship *Maine* was sunk in Havana Harbor, his reaction to that startling event was instantaneous. He was convinced that the sinking of the *Maine* made war inevitable, but he had long been certain that war ought to come. He believed that the United States had a moral duty toward the Cuban people, oppressed, abused, starved, and murdered at the hands of Spain.

He was not the head of the Navy Department, but that made little difference. The Secretary was a fine old gentleman, formerly president of the Massachusetts Peace Society, and by temperament indisposed to any rapid moves toward war. But he liked his Assistant Secretary and did not put too stern a curb upon his impetuous activity —

and Roosevelt's activity was vigorous and unceasing. Secretary Long has described it, rather with justice than with enthusiasm.

> His activity was characteristic. He was zealous in the work of putting the navy in condition for the apprehended struggle. His ardor sometimes went faster than the President or the Department approved. . . . He worked indefatigably, frequently incorporating his views in memoranda which he would place every morning on my desk. Most of his suggestions had, however, so far as applicable, been already adopted by the various bureaus, the chiefs of which were straining every nerve and leaving nothing undone. When I suggested to him that some future historian reading his memoranda, if they were put on record, would get the impression that the bureaus were inefficient, he accepted the suggestion with the generous good nature which is so marked in him. Indeed, nothing could be pleasanter than our relations. He was heart and soul in his work. His typewriters had no rest. He, like most of us, lacks the rare knack of brevity. He was especially stimulating to the younger officers who gathered about him and made his office as busy as a hive. He was especially helpful in the purchasing of ships and in every line where he could push on the work of preparation for war.

One suspects that the Secretary may have been more complacently convinced of the forehandedness of the bureau chiefs than was his impatient

associate. For, while the navy was apparently in better shape than the army in those days, there must have been, even in the Department where Roosevelt's typewriters knew no rest, some of that class of desk-bound officers whom he met later when he was organizing the Rough Riders. His experience with one such officer in the War Department was humorous. This bureaucrat was continually refusing Roosevelt's applications because they were irregular. In each case Roosevelt would appeal to the Secretary of War, with whom he was on the best of terms, and would get from him an order countenancing the irregularity. After a number of experiences of this kind, the harassed slave of red tape threw himself back in his chair and exclaimed, "Oh, dear! I had this office running in such good shape — and then along came the war and upset everything!"

But there were plenty of good men in the navy; and one of them was Commodore George Dewey. Roosevelt had kept his eye on him for some time as an officer who "could be relied upon to prepare in advance, and to act promptly, fearlessly, and on his own responsibility when the emergency arose." When he began to foresee the probability of war, Roosevelt succeeded in having Dewey sent to

command the Asiatic squadron; and just ten days after the *Maine* was blown up this cablegram went from Washington to Hong Kong:

DEWEY, Hong Kong:

Order the squadron, except the *Monocacy*, to Hong Kong. Keep full of coal. In the event of declaration of war Spain, your duty will be to see that the Spanish squadron does not leave the Asiatic coast, and then offensive operations in Philippine Islands. Keep *Olympia* until further orders. ROOSEVELT.

The declaration of war lagged on for nearly two months, but when it finally came, just one week elapsed between the sending of an order to Dewey to proceed at once to the Philippines and to "capture vessels or destroy" and the elimination of the sea power of Spain in the Orient. The battle of Manila Bay was a practical demonstration of the value of the "fighting edge," as exemplified in an Assistant Secretary who fought procrastination, timidity, and political expedience at home and in a naval officer who fought the enemy's ships on the other side of the world.

When war actually came, Roosevelt could not stand inactivity in Washington. He was a fighter — and he must go where the real fighting was. With Leonard Wood, then a surgeon in the army, he

organized the First United States Volunteer Cavalry. He could have been appointed Colonel, but he knew that Wood knew more about the soldier's job than he, and he insisted upon taking the second place. The Secretary of War thought him foolish to step aside thus and suggested that Roosevelt become Colonel and Wood Lieutenant-Colonel, adding that Wood would do the work anyway. But that was not the Roosevelt way. He replied that he did not wish to rise on any man's shoulders, that he hoped to be given every chance that his deeds and his abilities warranted, that he did not wish what he did not earn, and that, above all, he did not wish to hold any position where any one else did the work. Lieutenant-Colonel he was made.

The regiment, which will always be affectionately known as the Rough Riders, was "raised, armed, equipped, drilled, mounted, dismounted, kept for two weeks on a transport, and then put through two victorious aggressive fights, in which it lost a third of the officers, and a fifth of the enlisted men, all within a little over fifty days." Roosevelt began as second in command, went through the battle of San Juan Hill as Colonel, and ended the war in command of a brigade, with the brevet of

Brigadier-General. The title of Colonel stuck to him all his life.

When he became President, his instinctive commitment to the necessity of being prepared had been stoutly reinforced by his experience in what he called "the war of America the Unready." His first message to Congress was a long and exhaustive paper, dealing with many matters of importance. But almost one-fifth of it was devoted to the army and the navy. "It is not possible," he said, "to improvise a navy after war breaks out. The ships must be built and the men trained long in advance." He urged that Congress forthwith provide for several additional battleships and heavy armored cruisers, together with the proportionate number of smaller craft, and he pointed out the need for many more officers and men. He declared that "even in time of peace a warship should be used until it wears out, for only so can it be kept fit to respond to any emergency. The officers and men alike should be kept as much as possible on blue water, for it is there only they can learn their duties as they should be learned." But his most vigorous insistence was upon gunnery. "In battle," he said once to the graduates of the Naval Academy, "the only shots that count are those that hit, and

marksmanship is a matter of long practice and intelligent reasoning." To this end he demanded "unceasing" gunnery practice.

In every succeeding message to Congress for seven years he returned to the subject of the navy, demanding ships, officers, men, and, above all, training. His insistence on these essentials brought results, and by the time the cruise of the battle fleet around the world had been achieved, the American navy, ship for ship, was not surpassed by any in the world. Perhaps it would be more accurate to say, ship's crew for ship's crew; for it was the officers and men of the American navy who made it possible for the world cruise to be made without the smallest casualty.

The question of marksmanship had been burned into Roosevelt's mind in those days when the Spanish War was brewing. He has related in his *Autobiography* how it first came to his attention through a man whose name has in more recent years become known the world over in connection with the greatest task of the American navy. Roosevelt's account is as follows:

There was one deficiency . . . which there was no time to remedy, and of the very existence of which,

strange to say, most of our best men were ignorant. Our navy had no idea how low our standard of marksmanship was. We had not realized that the modern battleship had become such a complicated piece of mechanism that the old methods of training in marksmanship were as obsolete as the old muzzle-loading broadside guns themselves. Almost the only man in the navy who fully realized this was our naval attaché at Paris, Lieutenant Sims. He wrote letter after letter pointing out how frightfully backward we were in marksmanship. I was much impressed by his letters. . . . As Sims proved to be mistaken in his belief that the French had taught the Spaniards how to shoot, and as the Spaniards proved to be much worse even than we were, in the service generally Sims was treated as an alarmist. But although I at first partly acquiesced in this view, I grew uneasy when I studied the small proportion of hits to shots made by our vessels in battle. When I was President I took up the matter, and speedily became convinced that we needed to revolutionize our whole training in marksmanship. Sims was given the lead in organizing and introducing the new system; and to him more than to any other one man was due the astonishing progress made by our fleet in this respect, a progress which made the fleet, gun for gun, at least three times as effective, in point of fighting efficiency, in 1908, as it was in 1902.[1]

Theodore Roosevelt was a thoroughgoing, bred-in-the-bone individualist, but not as the term is

[1] *Autobiography* (Scribner), pp. 212–13.

ordinarily understood. He continually emphasized not the rights of the individual, but his duties, obligations, and opportunities. He knew that human character is the greatest thing in the world and that men and women are the real forces that move and sway the world's affairs. So in all his preaching and doing on behalf of a great and efficient navy, the emphasis that he always laid was upon the men of the navy, their efficiency and their spirit. He once remarked, "I believe in the navy of the United States primarily because I believe in the intelligence, the patriotism, and the fighting edge of the average man of the navy." To the graduating class at Annapolis, he once said:

> There is not one of you who is not derelict in his duty to the whole Nation if he fails to prepare himself with all the strength that in him lies to do his duty should the occasion arise; and one of your great duties is to see that shots hit. The result is going to depend largely upon whether you or your adversary hits. I expect you to be brave. I rather take that for granted. . . . But, in addition, you have got to prepare yourselves in advance. Every naval action that has taken place in the last twenty years . . . has shown, as a rule, that the defeated party has suffered not from lack of courage, but because it could not make the best use of its weapons, or had not been given the right weapons. . . . I want every one here to proceed upon the

assumption that any foe he may meet will have the courage. Of course, you have got to show the highest degree of courage yourself or you will be beaten anyhow, and you will deserve to be; but in addition to that you must prepare yourselves by careful training so that you may make the best possible use of the delicate and formidable mechanism of a modern warship.

Theodore Roosevelt was an apostle of preparedness from the hour that he began to think at all about affairs of public moment — and that hour came to him earlier in life than it does to most men. In the preface to his history of the War of 1812, which he wrote at the age of twenty-four, this sentence appears: "At present people are beginning to realize that it is folly for the great English-speaking Republic to rely for defense upon a navy composed partly of antiquated hulks, and partly of new vessels rather more worthless than the old." His prime interest, from the point of view of preparedness, lay in the navy. His sense of proportion told him that the navy was the nation's first line of defense. He knew that without an efficient navy a nation situated as the United States was would be helpless before an aggressive enemy, and that, given a navy of sufficient size and effectiveness, the nation could dispense with a great army. For the

army he demanded not size but merely efficiency. One of his principal points of attack in his criticism of the army was the system of promotion for officers. He assailed sharply the existing practice of "promotion by mere seniority." In one of his messages to Congress he pointed out that a system of promotion by merit existed in the Military Academy at West Point. He then went on to say that from the time of the graduation of the cadets into the army "all effort to find which man is best or worst and reward or punish him accordingly, is abandoned: no brilliancy, no amount of hard work, no eagerness in the performance of duty, can advanee him, and no slackness or indifference, that falls short of a court-martial offense, can retard him. Until this system is changed we cannot hope that our officers will be of as high grade as we have a right to expect, considering the material from which we draw. Moreover, when a man renders such service as Captain Pershing rendered last spring in the Moro campaign, it ought to be possible to reward him without at once jumping him to the grade of brigadier-general."

It is not surprising to find in this message also a name that was later to become famous in the Great War. Roosevelt had an uncanny gift of prophecy.

More than once, as President, he picked out for appreciation and commendation the very men who were to do the big things for America when the critical hour came.

CHAPTER XVI

THE LAST FOUR YEARS

When the Great War broke out in August, 1914, Roosevelt instantly stiffened to attention. He immediately began to read the lessons that were set for the world by the gigantic conflict across the sea and it was not long before he was passing them on to the American people. Like every other good citizen, he extended hearty support to the President in his conduct of America's foreign relations in the crisis. At the same time, however, he recognized the possibility that a time might come when it would be a higher moral duty to criticize the Administration than to continue unqualified support. Three weeks after war had begun, Roosevelt wrote in *The Outlook:*

In common with the immense majority of our fellow countrymen, I shall certainly stand by not only the public servants in control of the Administration at Washington, but also all other public servants, no

matter of what party, during this crisis; asking only that they with wisdom and good faith endeavor to take every step that can be taken to safeguard the honor and interest of the United States, and, so far as the opportunity offers, to promote the cause of peace and justice throughout the world. My hope, of course, is that in their turn the public servants of the people will take no action so fraught with possible harm to the future of the people as to oblige farsighted and patriotic men to protest against it.

One month later, in a long article in *The Outlook*, Roosevelt reiterated this view in these words:

. . . We, all of us, without regard to party differences, must stand ready loyally to support the Administration, asking nothing except that the policy be one that in truth and in fact tells for the honor and interest of our Nation and in truth and in fact is helpful to the cause of a permanent and righteous world peace.

In the early months of the war, Roosevelt thus scrupulously endeavored to uphold the President's hands, to utter no criticism that might hamper him, and to carry out faithfully the President's adjuration to neutrality. He recognized clearly, however, the price that we must pay for neutrality, and he set it forth in the following passage from the same article:

A deputation of Belgians has arrived in this country to invoke our assistance in the time of their dreadful need. What action our Government can or will take I know not. It has been announced that no action can be taken that will interfere with our entire neutrality. It is certainly eminently desirable that we should remain entirely neutral, and nothing but urgent need would warrant breaking our neutrality and taking sides one way or the other. Our first duty is to hold ourselves ready to do whatever the changing circumstances demand in order to protect our own interests in the present and in the future; although, for my own part, I desire to add to this statement the proviso that under no circumstances must we do anything dishonorable, especially toward unoffending weaker nations. Neutrality may be of prime necessity in order to preserve our own interests, to maintain peace in so much of the world as is not affected by the war, and to conserve our influence for helping toward the reëstablishment of general peace when the time comes; for if any outside Power is able at such time to be the medium for bringing peace, it is more likely to be the United States than any other. But we pay the penalty of this action on behalf of peace for ourselves, and possibly for others in the future, by forfeiting our right to do anything on behalf of peace for the Belgians in the present. We can maintain our neutrality only by refusal to do anything to aid unoffending weak powers which are dragged into the gulf of bloodshed and misery through no fault of their own. Of course it would be folly to jump into the gulf ourselves to no good purpose; and very probably nothing that we could have done would have helped Belgium. We

have not the smallest responsibility for what has befallen her, and I am sure that the sympathy of this country for the men, women, and children of Belgium is very real. Nevertheless, this sympathy is compatible with full acknowledgment of the unwisdom of our uttering a single word of official protest unless we are prepared to make that protest effective; and only the clearest and most urgent national duty would ever justify us in deviating from our rule of neutrality and non-interference. But it is a grim comment on the professional pacifist theories as hitherto developed that our duty to preserve peace for ourselves may necessarily mean the abandonment of all effective efforts to secure peace for other unoffending nations which through no fault of their own are dragged into the War.

The rest of the article concerned itself with the lessons taught by the war, the folly of pacifism, the need for preparedness if righteousness is not to be sacrificed for peace, the worthlessness of treaties unsanctioned by force, and the desirability of an association of nations for the prevention of war. On this last point Roosevelt wrote as follows:

But in view of what has occurred in this war, surely the time ought to be ripe for the nations to consider a great world agreement among all the civilized military powers *to back righteousness by force.* Such an agreement would establish an efficient World League for the

Peace of Righteousness. Such an agreement could limit the amount to be spent on armaments and, after defining carefully the inalienable rights of each nation which were not to be transgressed by any other, could also provide that any cause of difference among them, or between one of them and one of a certain number of designated outside non-military nations, should be submitted to an international court, including citizens of all these nations, chosen not as representatives of the nations, *but as judges* and perhaps in any given case the particular judges could be chosen by lot from the total number. To supplement and make this effectual it should be solemnly covenanted that if any nation refused to abide by the decision of such a court the others would draw the sword on behalf of peace and justice, and would unitedly coerce the recalcitrant nation. This plan would not automatically bring peace, and it may be too soon to hope for its adoption; but if some such scheme could be adopted, in good faith and with a genuine purpose behind it to make it effective, then we would have come nearer to the day of world peace. World peace will not come save in some such manner as that whereby we obtain peace within the borders of each nation; that is, by the creation of reasonably impartial judges and by putting an efficient police power — that is, by putting force in efficient fashion — behind the decrees of the judges. At present each nation must in the last resort trust to its own strength if it is to preserve all that makes life worth having. At present this is imperative. This state of things can be abolished only when we put force, when we put the collective armed power of civilization, behind some body which shall with reasonable justice

and equity represent the collective determination of civilization to do what is right.

From this beginning Roosevelt went on vigorously preaching preparedness against war; and the Great War had been raging for a scant seven months when he was irresistibly impelled to utter open criticism of President Wilson. In April, 1915, in *The Metropolitan Magazine*, to which he had transferred his writings, he declared that "the United States, thanks to Messrs. Wilson and Bryan, has signally failed in its duty toward Belgium." He maintained that the United States, under the obligations assumed by the signature of The Hague Conventions, should have protested to Germany against the invasion of Belgium.

For two years thereafter, while Germany slapped America first on one cheek and then on the other, and treacherously stabbed her with slinking spies and dishonored diplomats, Roosevelt preached, with growing indignation and vehemence, the cause of preparedness and national honor. He found it impossible to support the President further. In February, 1916, he wrote:

Eighteen months have gone by since the Great War broke out. It needed no prescience, no remarkable

statesmanship or gift of forecasting the future, to see that, when such mighty forces were unloosed, and when it had been shown that all treaties and other methods hitherto relied upon for national protection and for mitigating the horror and circumscribing the area of war were literally "scraps of paper," it had become a vital necessity that we should instantly and on a great and adequate scale prepare for our own defense. Our men, women, and children — not in isolated cases, but in scores and hundreds of cases — have been murdered by Germany and Mexico; and we have tamely submitted to wrongs from Germany and Mexico of a kind to which no nation can submit without impairing its own self-respect and incurring the contempt of the rest of mankind. Yet, during these eighteen months not one thing has been done. . . . Never in the country's history has there been a more stupendous instance of folly than this crowning folly of waiting eighteen months after the elemental crash of nations took place before even making a start in an effort — and an utterly inefficient and insufficient effort — for some kind of preparation to ward off disaster in the future.

If President Wilson had shown the disinterested patriotism, courage, and foresight demanded by this stupendous crisis, I would have supported him with hearty enthusiasm. But his action, or rather inaction, has been such that it has become a matter of high patriotic duty to oppose him. . . . No man can support Mr. Wilson without at the same time supporting a policy of criminal inefficiency as regards the United States Navy, of short-sighted inadequacy as regards the army, of abandonment of the duty owed by the United

States to weak and well-behaved nations, and of failure to insist on our just rights when we are ourselves maltreated by powerful and unscrupulous nations.

Theodore Roosevelt could not, without violating the integrity of his own soul, go on supporting either positively by word or negatively by silence the man who had said, on the day after the *Lusitania* was sunk, "There is such a thing as a nation being too proud to fight," and who later called for a "peace without victory." He could have nothing but scorn for an Administration whose Secretary of War could say, two months after the United States had actually entered the war, that there was "difficulty . . . disorder and confusion . . . in getting things started," and could then add, "but it is a happy confusion. I delight in the fact that when we entered this war we were not like our adversary, ready for it, anxious for it, prepared for it, and inviting it."

Until America entered the war Roosevelt used his voice and his pen with all his native energy and fire to convince the American people of three things: that righteousness demanded that the United States forsake its supine neutrality and act; that the United States should prepare itself thoroughly for any emergency that might arise; and that the

hyphenated Americanism of those who, while enjoying the benefits of American citizenship, "intrigue and conspire against the United States, and do their utmost to promote the success of Germany and to weaken the defense of this nation" should be rigorously curbed. The sermons that he preached on this triple theme were sorely needed. No leadership in this phase of national life was forthcoming from the quarter where the American people had every right to look for leadership. The White House had its face set in the opposite direction.

In August, 1915, an incident occurred which set the contrast between the Rooseveltian and Wilsonian lines of thought in bold relief. Largely through the initiative of General Leonard Wood there had been organized at Plattsburg, New York, an officers' training camp where American business men were given an all too brief course of training in the art and duty of leading soldiers in camp and in the field. General Wood was in command of the Plattsburg camp. He invited Roosevelt to address the men in training. Roosevelt accepted gladly, and in the course of his speech made these significant statements:

For thirteen months America has played an ignoble part among the nations. We have tamely submitted

to seeing the weak, whom we have covenanted to protect, wronged. We have seen our men, women, and children murdered on the high seas without protest. We have used elocution as a substitute for action.

During this time our government has not taken the smallest step in the way of preparedness to defend our own rights. Yet these thirteen months have made evident the lamentable fact that force is more dominant now in the affairs of the world than ever before, that the most powerful of modern military nations is utterly brutal and ruthless in its disregard of international morality, and that righteousness divorced from force is utterly futile. Reliance upon high sounding words, unbacked by deeds, is proof of a mind that dwells only in the realm of shadow and of sham.

It is not a lofty thing, on the contrary, it is an evil thing, to practise a timid and selfish neutrality between right and wrong. It is wrong for an individual. It is still more wrong for a nation.

Therefore, friends, let us shape our conduct as a nation in accordance with the highest rules of international morality. Let us treat others justly and keep the engagements we have made, such as these in The Hague conventions, to secure just treatment for others. But let us remember that we shall be wholly unable to render service to others and wholly unable to fulfill the prime law of national being, the law of self-preservation, unless we are thoroughly prepared to hold our own. Let us show that a free democracy can defend itself successfully against any organized and aggressive military despotism.

The men in the camp heard him gladly and with enthusiasm. But the next day the Secretary of War sent a telegram of censure to General Wood in which he said:

I have just seen the reports in the newspapers of the speech made by ex-President Roosevelt at the Plattsburg camp. It is difficult to conceive of anything which could have a more detrimental effect upon the real value of this experiment than such an incident. . . . No opportunity should have been furnished to any one to present to the men any matter excepting that which was essential to the necessary training they were to receive. Anything else could only have the effect of distracting attention from the real nature of the experiment, diverting consideration to issues which excite controversy, antagonism, and ill feeling and thereby impairing if not destroying, what otherwise would have been so effective.

On this telegram Roosevelt's comment was pungent: "If the Administration had displayed one-tenth the spirit and energy in holding Germany and Mexico to account for the murder of men, women, and children that it is now displaying in the endeavor to prevent our people from being taught the need of preparation to prevent the repetition of such murders in the future, it would be rendering a service to the people of the country."

Theodore Roosevelt could have little effect upon the material preparedness of the United States for the struggle which it was ultimately to enter. But he could and did have a powerful effect upon the spiritual preparedness of the American people for the efforts, the trials, and the sacrifices of that struggle. No voice was raised more persistently or more consistently than his. No personality was thrown with more power and more effect into the task of arousing the people of the United States to their duty to take part in the struggle against Prussianism. No man, in public or private life, urged so vigorously and effectively the call to arms against evil and for the right. His was the "voice crying in the wilderness," and to him the American spirit hearkened and awoke.

At last the moment came. Roosevelt had but one desire and one thought. He wanted to get to the firing-line. This was no impulse, no newly formed project. For two months he had been in correspondence with the Secretary of War on the subject. A year or more before that he had offered, in case America went into the war, to raise a volunteer force, train it, and take it across to the front. The idea was not new to him, even then. As far back as 1912 he had said on several different occasions,

"If the United States should get into another war, I should raise a brigade of cavalry and lead it as I did my regiment in Cuba." It never occurred to him in those days that a former Commander-in-Chief of the United States Army, with actual experience in the field, would be refused permission to command troops in an American war. The idea would hardly have occurred to any one else. But that is precisely what happened.

On February 2, 1917, Roosevelt wrote to the Secretary of War reminding him that his application for permission to raise a division of infantry was already on file in the Department, saying that he was about to sail for Jamaica, and asking the Secretary to inform him if he believed there would be war and a call for volunteers, for in that case he did not intend to sail. Secretary Baker replied, "No situation has arisen which would justify my suggesting a postponement of the trip you propose." Before this reply was received Roosevelt had written a second letter saying that, as the President had meanwhile broken off diplomatic relations with Germany, he should of course not sail. He renewed his request for permission to raise a division, and asked if a certain regular officer whom he would like to have for his divisional Chief of Staff,

if the division were authorized, might be permitted to come to see him with a view to "making all preparations that are possible in advance." To this the Secretary replied, "No action in the direction suggested by you can be taken without the express sanction of Congress. Should the contingency occur which you have in mind, it is to be expected that Congress will complete its legislation relating to volunteer forces and provide, under its own conditions, for the appointment of officers for the higher commands."

Roosevelt waited five weeks and then earnestly renewed his request. He declared his purpose to take his division, after some six weeks of preliminary training, direct to France for intensive training so that it could be sent to the front in the shortest possible time. Secretary Baker replied that no additional armies could be raised without the consent of Congress, that a plan for a much larger army was ready for the action of Congress whenever required, and that the general officers for all volunteer forces were to be drawn from the regular army. To this Roosevelt replied with the respectful suggestion that, as a retired Commander-in-Chief of the United States Army, he was eligible to any position of command over American troops.

He recounted also his record of actual military experience and referred the Secretary to his immediate superiors in the field in Cuba as to his fitness for command of troops.

When war had been finally declared, Secretary Baker and Roosevelt conferred together at length about the matter. Thereafter Mr. Baker wrote definitely, declaring that he would be obliged to withhold his approval from an expedition of the sort proposed. The grounds which he gave for the decision were that the soldiers sent across must not be "deprived . . . of the most experienced leadership available, in deference to any mere sentimental consideration," and that it should appear from every aspect of the expeditionary force, if one should be sent over (a point not yet determined upon) that "military considerations alone had determined its composition."

To this definite refusal on the part of the Secretary of War Roosevelt replied at length. In his letter was a characteristic passage commenting upon Secretary Baker's reference to "sentimental considerations":

I have not asked you to consider any "sentimental value" in this matter. I am speaking of moral effect, not of sentimental value. Sentimentality is as different from morality as Rousseau's life from Abraham

Lincoln's. I have just received a letter from James Bryce urging "the dispatch of an American force to the theater of war," and saying, "The moral effect of the appearance in the war line of an American force would be immense." From representatives of the French and British Governments and of the French, British, and Canadian military authorities, I have received statements to the same effect, in even more emphatic form, and earnest hopes that I myself should be in the force. Apparently your military advisers in this matter seek to persuade you that a "military policy" has nothing to do with "moral effect." If so, their militarism is like that of the Aulic Council of Vienna in the Napoleonic Wars, and not like that of Napoleon, who stated that in war the moral was to the material as two to one. These advisers will do well to follow the teachings of Napoleon and not those of the pedantic militarists of the Aulic Council, who were the helpless victims of Napoleon.

Secretary Baker replied with a reiteration of his refusal. Roosevelt made one further attempt. When the Draft Law passed Congress, carrying with it the authorization to use volunteer forces, he telegraphed the President asking permission to raise two divisions, and four if so directed. The President replied with a definite negative, declaring that his conclusions were "based entirely upon imperative considerations of public policy and not upon personal or private choice."

Meanwhile applications had been received from over three hundred thousand men desirous of joining Roosevelt's volunteer force, of whom it was estimated that at least two hundred thousand were physically fit, double the number needed for four divisions. That a single private citizen, by "one blast upon his bugle horn" should have been able to call forth three hundred thousand volunteers, all over draft age, was a tremendous testimony to his power. If his offer had been accepted when it was first made, there would have been an American force on the field in France long before one actually arrived there. It was widely believed, among men of intelligence and insight, not only in America but in Great Britain and France, that the arrival of such a force, under the command of a man known, admired, and loved the world over, would have been a splendid reinforcement to the Allied morale and a sudden blow to the German confidence. But the Administration would not have it so.

I shall never forget one evening with Theodore Roosevelt on a speaking tour which he was making through the South in 1912. There came to our private car for dinner Senator Clarke of Arkansas and Jack Greenway, young giant of football fame and

experience with the Rough Riders in Cuba. After dinner, Jack, who like many giants, is one of the most diffident men alive, said hesitatingly:

"Colonel, I've long wanted to ask you something."

"Go right ahead," said T. R., "what is it?"

"Well, Colonel," said Jack, "I've always believed that it was your ambition to die on the field of battle."

T. R. brought his hand down on the table with a crash that must have hurt the wood.

"By Jove," said he, "how did you know that?"

"Well, Colonel," said Jack, "do you remember that day in Cuba, when you and I were going along a trail and came upon ——— [one of the regiment] propped against a tree, shot through the abdomen? It was evident that he was done for. But instead of commiserating him, you grabbed his hand and said something like this, 'Well, old man, isn't this splendid!' Ever since then I've been sure you would be glad to die in battle yourself."

T. R.'s face sobered a little.

"You're right, Jack," he said. "I would."

The end of Theodore Roosevelt's life seemed to come to him not in action but in quietness. But

the truth was other than that. For it, let us turn again to Browning's lines:

> I was ever a fighter, so — one fight more,
> The best and the last!
> I would hate that death bandaged my eyes, and forbore,
> And bade me creep past.

On the fifth of January in 1919, after sixty years of life, full of unwearied fighting against evil and injustice and falseness, he "fell on sleep." The end came peacefully in the night hours at Sagamore Hill. But until he laid him down that night, the fight he waged had known no relaxation. Nine months before he had expected death, when a serious mastoid operation had drained his vital forces. Then his one thought had been, not for himself, but for his sons to whom had been given the precious privilege, denied to him, of taking part in their country's and the world's great fight for righteousness. His sister, Mrs. Corinne Douglas Robinson, tells how in those shadowy hours he beckoned her to him and in the frailest of whispers said, "I'm glad it's I that lie here and that my boys are in the fight over there."

His last, best fight was worthy of all the rest. With voice and pen he roused the minds and the

hearts of his countrymen to their high mission in defense of human rights. It was not given to him to fall on the field of battle. But he went down with his face to the forces of evil with which he had never sought a truce.

BIBLIOGRAPHICAL NOTE

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